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RESTAURANTS USA

How will the drop in consumer confidence affect restaurants?

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the unemployment rate in September 1990 for the construction industry reached 9.3 percent—up from 8.0 percent a year earlier. For the manufacturing industry, the unemployment rate in September 1990 advanced to 5.4 percent—up from 5.0 percent in 1989.

When real-income growth slows, consumer spending on food away from home can be hurt in the short run, and real disposable income posted a modest gain of 1.2 percent in 1990, compared to a higher 2.4 percent in 1989. Reflecting the climate of economic uncertainty in 1990, consumers increased their savings rate to 4.9 percent of personal disposable income—the highest level since 1984.

Also, when consumers buy large capital goods such as automobiles and homes on credit, these new fixed charges against their household income limit the amount of cash they have on hand. Consumer-installment debt reached record levels in 1990—exceeding $729 billion; and real consumer expenditures for durable goods advanced 0.9 percent. In addition, consumers turned to their revolving charge accounts more than ever, with the amount of debt on these lines of credit reaching a record high in 1990. Consequently, consumers had less cash on hand in 1990, and foodservice is primarily a cash-dependent business.

Economic sluggishness to continue in 1991

The nation's economy is expected to expand in 1991 but at a slightly slower pace, according to *Blue Chip Economic Indicators* (October 1990). This consensus forecast for key economic variables by more than 50 top economists predicts that real GNP gains will be somewhat lower in 1991 than in 1990—up 0.8 percent, compared to the 1.0 percent advance for 1990.

Real GNP is expected to decline for two consecutive quarters—down 0.6 percent in the fourth quarter of 1990, followed by a 0.1 percent contraction in the first quarter of 1991. Two quarters of back-to-back declines in real GNP is the accepted definition of a recession, which last occurred in 1982. *Blue Chip Economic Indicators* forecasts a return to real growth in the second quarter of 1991, with real GNP up 1.2 percent. Third-quarter real GNP is projected to rise 2.3 percent, and fourth-quarter real GNP should be up by 2.6 percent. Despite the decline in real GNP in late 1990 and early 1991, the nation's economy is forecast to continue its expansion by mid-1991. This is a positive sign because an expanding economy—even a modest growing one—correlates with expansion for the restaurant industry.

Changes in real disposable personal income are closely related to changes in restaurant sales. Real disposable personal income is forecast to edge upward 0.8 percent in 1991. With real-income growth slowing, unemployment creeping upward and consumers paying more taxes for gasoline and alcoholic beverages in 1991, it is expected that consumers will rein in their purchases for large durable items such as automobiles. This will act to boost eating-place expenditures by a small fraction when compared to 1990. In addition, consumers are expected to lower their savings rate to 4.6 percent of disposable income in 1991.

The inflation rate is expected to decline somewhat in 1991. The Consumer Price Index (CPI—all items) is forecast to advance 5.1 percent in 1991. The nation's annual civilian unemployment rate is expected to jump to 6.1 percent—its highest level since 1987. Despite a rising unemployment rate, total civilian employment should still grow marginally—up by 0.2 percent in 1991, reflecting a larger labor force overall. Consequently, consumer spending in real terms is forecast to advance 1.7 percent in 1991.

Lower interest rates are expected in 1991. The annual average prime rate is forecast to be 9.5 percent, down from 9.9 percent in 1990 and a higher 10.9 percent in 1989. In addition, continued growth in exports should stimulate the nation's economy.

More than two out of five tableservice operators expect their financing to be more difficult in 1991

	Sales volume		
	Less than $500,000	$500,000 to $999,999	$1 million and more
Percent of operators expecting financing to be:			
Harder	41%	46%	43%
Same	22	21	22
Easier	10	8	9
Don't know	27	24	26

Source: National Restaurant Association, *1990 Tableservice Operator Survey*

Restaurant financing grows more difficult

Even before the Middle East crisis in August 1990 jolted the nation's economy, domestic economic growth had slowed. Consequently, many financial institutions tightened their lending practices and standards, making it more difficult for all businesses, including restaurants, to obtain funds for development and expansion.

The banker perspective

A Federal Reserve Board survey of bank lending practices, conducted in 1990, confirmed that bankers had tightened credit standards for business. Three out of four respondent banks indicated they had tightened loan standards for development and construction. For small businesses with annual sales of less than $50 million, the study revealed that 40 percent of banks had increased collateralization requirements and tightened loan covenants. In addition, banks also increased the cost of credit lines and decreased their maximum size. For restaurateurs looking for funds to expand or improve their operations, this meant that not only were funds harder to obtain, but those funds that were available were also likely to be more expensive.

The restaurateur perspective

The association's 1990 Tableservice Operator Survey confirms that many restaurant operators found business loans more difficult to obtain in 1990 than in 1989. One out of three tableservice operators with annual sales of $1 million or more indicated that business loans were harder to obtain in 1990. When these individuals were asked to indicate what effect this difficulty had on their business, 25 percent reported it had slowed their construction and expansion plans.

When tableservice operators were asked to comment on obtaining financing in 1991, more than two out of five operators predicted it would be harder to obtain financing. Just one out of 10 predicted lending conditions would ease in 1991.

A word of caution is necessary, however. Tensions in the Middle East continue to cause volatility in domestic and international financial and energy markets. Any significant escalation of hostilities in this region could affect not only the economy of the United States but also the global economy, thereby altering consumer spending patterns.

EATING-PLACE HIGHLIGHTS

Eating places, which account for nearly two-thirds of total foodservice sales, posted a 5.2 percent sales gain in 1990, with sales reaching $154.3 billion. The forecast for 1991 indicates that sales in this segment should reach $162.6 billion, a 5.4 percent increase over 1990. Adjusted for inflation, eating-place sales will grow 0.8 percent in 1991.

The economic factors that dampened sales growth in 1990 will probably continue to influence eating-place sales in 1991: a drop in consumer confidence and a sluggish growth in real disposable personal income. Although the rate of unit expansion may slow in 1991, competition will remain intense.

Fast food (limited-menu restaurant) sales are expected to climb 6.2 percent in 1991 to reach $74.1 billion. Real sales are forecast to increase 1.6 percent.

Fast food is likely to represent the largest component of eating-place sales growth in 1991 and in the foreseeable future. Although the rate of growth will be at less than historic levels, fast food is still a fiercely competitive business.

Despite a slowdown in the rate of unit expansion in the United States, major fast food chains are aggressively pursuing expansion abroad.

The fundamental forces behind fast food expansion are convenience, quick service and an excellent value for the price. Recently, however, service has slowed with the introduction of numerous new menu items, and the consumer's perception of value for the price has deteriorated, making the fast food sector increasingly vulnerable to competition from family and food-bar restaurants as well as convenience stores and carryout departments at grocery stores.

In light of the softening economic situation, many in the fast food sector will be reexamining price/value relationships. They will also be addressing the issue of menu-price integrity, because the proliferation of price promotions has left consumers confused about the real price of menu items. To help protect price integrity, limited runs of new menu items will be a favored promotional device.

On a more positive note, fast food should benefit if consumers put a lid on expenditures for major durables in 1991. In effect this would free up cash that would allow consumers to maintain a frequency of foodservice patronage that has become a part of their lifestyle. Moreover, fast food, which still has lower price points than most tableservice restaurants, should be particularly attractive to value-driven consumers who may be financially squeezed but may wish to maintain their frequency of visits.

Sales at **restaurants and lunchrooms** are projected to reach $79.4 billion in 1991, accounting for 32 percent of total foodservice industry sales. This represents a 4.6 percent increase over 1990 but no growth in real terms. The lack of real growth for the restaurant-and-lunchroom segment is related to the overall softening of the economy.

Sluggish personal-income growth, combined with low consumer confidence, results in a consumer who is cautious and value conscious. Consequently, the higher-check portion of the restaurant-and-lunchroom segment is expected to be especially vulnerable as cash-tight consumers remain cost conscious.

Many tableservice restaurant operators have already responded to consumer concerns by lowering prices. According to the National Restaurant Association's *1990 Tableservice Operator Survey*, approximately one-third of tableservice restaurants with an average check of $15 per person and higher reported that they had cut prices since January 1989. Even some lower-priced tableservice restaurants indicated they have cut their menu prices—almost one in five operators with an average check of less than $15 per person had cut menu prices over the same period.

Among tableservice operators who had not lowered prices since January 1989, almost one out of 20 indicated that they plan to do so in 1991. Also, more tableservice operators report they have added lower-priced items to their menus. Since January 1989, approximately half of tableservice operators indicated they have done so, and of those who have not, approximately 5 percent expect to do so in 1991.

Restaurant-and-lunchroom-unit growth is expected to be flat in 1991. As with the fast food segment, obtaining the necessary financing for unit expansion will become harder in 1991 because of tighter funding and credit standards required by financial institutions.

As a result of a variety of social and legislative pressures, alcoholic-beverage sales growth at restaurants and lunchrooms is expected to remain sluggish in 1991. National Restaurant Association *1990 Restaurant Industry Operations Survey* data show that alcoholic beverages contributed 22 percent of total sales at full-menu tableservice establishments in 1989. Survey respondents reported that although total food sales advanced 5 percent between 1988 and 1989, total alcoholic-beverage sales were up a lower 3 percent. With federal alcohol excise taxes on beer, wine and distilled spirits scheduled to be raised in January 1991, cost-conscious consumers may find another reason to cut back on their alcoholic-beverage purchases.

Commercial cafeteria sales are forecast to advance to $4.6 billion in 1991—a 5.3 percent increase over 1990 and a 0.7 advance in real terms. Cafeterias are well positioned to take advantage of the consumer desire for food variety, value for the price and control over the meal that is taken to the table. Because customers do not like to stand in line, major chains have responded with upgraded facilities, enhanced takeout services and value promotions.

Since many cafeterias are located in the oil belt, they will get a boost from the increased oil prices. But the demographic composition of their market may work against them. Cafeteria patrons are generally older individuals, a segment of the population that is more fearful of changing eco-

Foodservice industry food and drink sales projected to 1991

	1988 Estimated F&D sales ($000)	1990 Projected F&D sales ($000)	1991 Projected F&D sales ($000)	1990-1991 Percent change	1990-1991 Percent real growth change	1988-1991 Compound annual growth rate
Group I—Commercial Foodservice[1]						
Eating places						
Restaurants, lunchrooms	$ 69,355,980	$ 75,926,973	$ 79,419,614	4.6%	0.0%	4.6%
Limited-menu restaurants, refreshment places	61,397,191	69,800,512	74,128,144	6.2	1.6	6.5
Commercial cafeterias	3,960,224	4,374,432	4,606,277	5.3	0.7	5.2
Social caterers	1,934,596	2,239,820	2,421,245	8.1	3.5	7.8
Ice cream, frozen-custard stands	1,894,213	2,003,699	2,063,810	3.0	−1.6	2.9
Total eating places	$138,542,204	$154,345,436	$162,639,090	5.4%	0.8%	5.5%
Bars & taverns	8,899,046	8,773,391	8,685,657	−1.0	−6.5	−0.8
Total eating & drinking places	$147,441,250[2]	$163,118,827	$171,324,747	5.0%	0.4%	5.1%
Food contractors						
Manufacturing & industrial plants	$ 3,356,495	$ 3,825,121	$ 4,097,719	7.1%	2.5%	6.9%
Commercial & office buildings	1,134,717	1,288,226	1,371,961	6.5	1.9	6.5
Hospitals & nursing homes	1,436,074	1,682,772	1,827,490	8.6	4.0	8.4
Colleges & universities	2,283,774	2,864,756	3,174,150	10.8	6.0	11.6
Primary & secondary schools	1,056,638	1,195,092	1,272,773	6.5	1.9	6.4
In-transit foodservice (airlines)	1,204,892	1,474,795	1,605,466	8.9	4.3	10.0
Recreation & sports centers	1,598,556	1,797,828	1,905,698	6.0	1.4	6.0
Total food contractors	$ 12,071,146	$ 14,128,590	$ 15,255,257	8.0%	3.3%	8.1%
Lodging places						
Hotel restaurants	$ 11,078,650	$ 12,436,762	$ 13,112,265	5.4%	0.8%	5.8%
Motor hotel restaurants	834,008	932,659	982,090	5.3	0.7	5.6
Motel restaurants	1,339,977	1,492,826	1,570,453	5.2	0.6	5.4
Total lodging places	$ 13,252,635	$ 14,862,247	$ 15,664,808	5.4%	0.8%	5.7%
Retail host restaurants[3]	$ 6,456,942[4]	$ 7,317,564[4]	$ 7,786,518[4]	6.4%	1.8%	6.4%
Recreation & sports[5]	2,367,322	2,707,167	2,875,798	6.2	1.4	6.7
Mobile caterers	754,535	840,529	885,077	5.3	0.7	5.5
Vending & nonstore retailers[6]	4,937,911	5,423,085	5,694,239	5.0	0.4	4.9
TOTAL GROUP I	**$187,281,741**	**$208,398,009**	**$219,486,444**	**5.3%**	**0.7%**	**5.4%**
Group II—Institutional Foodservice—Business, educational, governmental or institutional organizations that operate their own foodservice						
Employee foodservice[7]	$ 1,979,671	$ 1,974,052	$ 1,969,149	−0.2%	−5.0%	−0.2%
Public & parochial elementary, secondary schools	3,346,809	3,613,511	3,776,260	4.5	−0.1	4.1
Colleges & universities	3,535,867	3,948,438	4,034,209	2.2	−2.6	4.5
Transportation	983,542	1,180,526	1,284,030	8.8	4.5	9.3
Hospitals[8]	7,826,206	8,901,764	9,476,794	6.5	1.9	6.6
Nursing homes, homes for aged, blind, orphans, and the mentally & physically disabled[9]	3,402,019	3,920,486	4,140,033	5.6	1.9	6.8
Clubs, sporting & recreational camps	1,955,984	2,179,143	2,296,178	5.4	0.8	5.5
Community centers	532,901	627,624	669,675	6.7	3.0	7.9
TOTAL GROUP II	**$ 23,562,999**	**$ 26,345,544**	**$ 27,646,328**	**4.9%**	**0.5%**	**5.5%**
TOTAL GROUPS I & II	**$210,844,740**	**$234,743,553**	**$247,132,772**	**5.3%**	**0.6%**	**5.4%**
Group III—Military Foodservice[10]						
Officers' & NCO clubs ("Open Mess")	$ 659,443	$ 695,404	$ 668,283	−3.9%	−8.5%	0.4%
Foodservice—military exchanges	337,954	341,276	324,212	−5.0	−9.6	−1.4
TOTAL GROUP III	**$ 997,397**	**$ 1,036,680**	**$ 992,495**	**−4.3%**	**−8.9%**	**−0.2%**
GRAND TOTAL	**$211,842,137**	**$235,780,233**	**$248,125,267**	**5.2%**	**0.6%**	**5.4%**

Footnotes:

1. Data are given only for establishments with payroll.
2. Food and drink sales for nonpayroll establishments totaled $4,021,475,000 in 1988.
3. Includes drug and proprietary store restaurants, general-merchandise-store restaurants, variety-store restaurants, food-store restaurants, grocery-store restaurants, gasoline-service-station restaurants and miscellaneous retailers.
4. Reflects revision using new benchmark sales data from the *1987 Census of Retail Trade Merchandise Line Report* released in June 1990.
5. Includes drive-in movies, bowling lanes and recreation and sports centers.
6. Includes sales of hot food, sandwiches, pastries, coffee and other hot beverages.
7. Includes industrial and commercial organizations, seagoing and inland-waterway vessels.
8. Includes voluntary and proprietary hospitals; long-term general, TB, mental hospitals; and sales or commercial equivalent to employees in state and local short-term hospitals and federal hospitals.
9. Sales (commercial equivalent) calculated for nursing homes and homes for the aged only. All others in this grouping make no charge for food served either in cash or in kind.
10. Continental United States only.

nomic conditions and more likely to react negatively during a downturn. Still, the long-term outlook for cafeterias is better than the short-term one.

Social caterers' sales are projected to climb 8.1 percent to reach $2.4 billion in 1991. This represents a 3.5 percent gain in real terms. Despite the fact that some business entertainment has traded down to less expense alternatives, social catering continues to be a convenient means of entertaining. In addition, many Americans are still unwilling to cut back expenses for once-in-a-lifetime events, such as weddings and bar mitzvahs.

Sales at **ice cream and frozen-custard stands** are forecast to reach $2.1 billion, a 3.0 percent nominal growth rate or a 1.6 percent decline in real terms. This segment now has competition from other fast food chains and other establishments that sell ice cream and frozen yogurt. In addition, there is some consumer resistance to prices that have risen too high in terms of perceived value.

Bars and taverns' sales should be down 1.0 percent in nominal growth in 1991, decreasing to $8.7 billion. After adjusting for inflation, real sales should be down 6.5 percent. Increased social and regulatory pressure to reduce alcohol consumption is responsible for the decline in this segment. Also, because of tax increases at all levels of government, the price of alcohol is being raised faster than menu prices.

CONSUMER ATTITUDES AND LIFESTYLE TRENDS

One key trend in consumer lifestyles and attitudes is the fracturing of what were once large, easily definable market segments into what *American Demographics* magazine now refers to as "particle markets."

Among the key population shifts leading to these particles is a change in the nation's age structure from one resembling a pyramid (few old and many young) to one that looks like a pillar (roughly equal distribution of people in youth, middle age and old age). The aging population, including the aging of the baby boomers, has redistributed the population in this manner.

In addition, there has been a shift away from the traditional family household of mother-father-kids to other household structures, including those of single parents, married couples with no children, and "blended households" or step-families. *American Demographics* estimates that by the year 2000, married-couple households will account for barely more than half of all households.

One major cause for these shifts is a slower birth rate. Instead, immigration is driving much of the population growth in the United States. *American Demographics* estimates that by the year 2000, one out of four people in the United States will be a racial or ethnic minority. In comparison, nearly nine out of 10 consumers in 1960 were white.

These major population and lifestyle shifts have helped shape the 25 hot particle markets for the 1990s (see sidebar). Foodservice operators may wish to examine these particle markets to determine which they can best serve competitively with a balance of menu mix, delivery systems and pricing.

The influence of children

Among the 25 "hot" particle markets are children, who will continue to grow in influence in the decade ahead. One reason is that there will be more of them around. In 1989, there were 4 million births in the United States—the largest number since 1964—and the number of births in 1990 seemed to be outpacing the number of births in 1989.

The presence of children in households is important to restaurateurs, because they have an effect on both restaurant spending and behavior. Data from the 1988 *Consumer Expenditure Survey* indicates that husband-wife households with children spent a lower 41.3 percent of their food dollar, or $560 per person per year, on food away from home than husband-wife households with no children, which allocated 43.7 percent of their food dollar, or $834 per person per year to food away from home.

Moreover, per capita expenditures on food away from home increase as the age of the child increases. Married-couple households whose oldest child was younger than 6 spent $446 per person per year (38.3 percent of the food dollar) on food away from home, compared with $538 per person per year (40.3 percent of the food dollar) for married-couple households whose oldest child was between 6 and 17.

Not only do children influence how much households spend on food away from home, but they also influence where their parents eat. A 1990 National Restaurant Association Gallup survey found that 35 percent of parents with one or more children younger than 6 said that the child was "very influential" in the household decision to eat out, as did a similar proportion of parents of children between 6 and 12.

When it comes to selecting a specific tableservice restaurant, 32 percent of parents with children younger than 6 said their kids were "very influential" in their decision, as did a similar proportion of parents with children between 6 and 12.

Children have some influence on choosing a tableservice restaurant, but it seems likely that they may exert more direct input when it comes to fast food. A 1990 CREST special study for the National Restaurant Association on dining-out behavior by family composition found that households with children younger than 13 exhibited differences from households with no preteen children.

Specifically, households with young children had a greater proportion of restaurant visits to quickservice establishments. Conversely, households with no children younger than 13 had a higher proportion of visits to midscale and upscale restaurants.

Households with young children also had a lower per person check average, which can be attributed in part to the lower cost of kid-sized portions and in part to the larger share of occasions on deal. Households with children younger than 13 also had a higher proportion of off-premises visits, weekend (Friday-Saturday-Sunday) visits and dinner visits, but a smaller proportion of breakfast and lunch visits.

How can restaurateurs attract parties with children? A National Restaurant Association Gallup survey indicates that one of the most important criteria for parents in choosing a tableservice restaurant is that the establishment have their children's favorite foods.

Nearly eight out of 10 parents with children younger than 13 rated this factor as being important in their choice of restaurant. Favorite foods among children younger than 13 include hamburgers, french fries and chicken.

Other amenities of importance to more than half of the parents surveyed include speed of service, child-sized menu portions at reduced prices and reduced-price promotions for children. Highchairs and diversions such as puzzles or games on menus and coloring books were of greater interest to parents with children younger than 6 than they were to parents with children between 6 and 12.

Changes in metropolitan America

Although children will play an important role in the decade ahead, other demographic factors are likely to be influential as well.

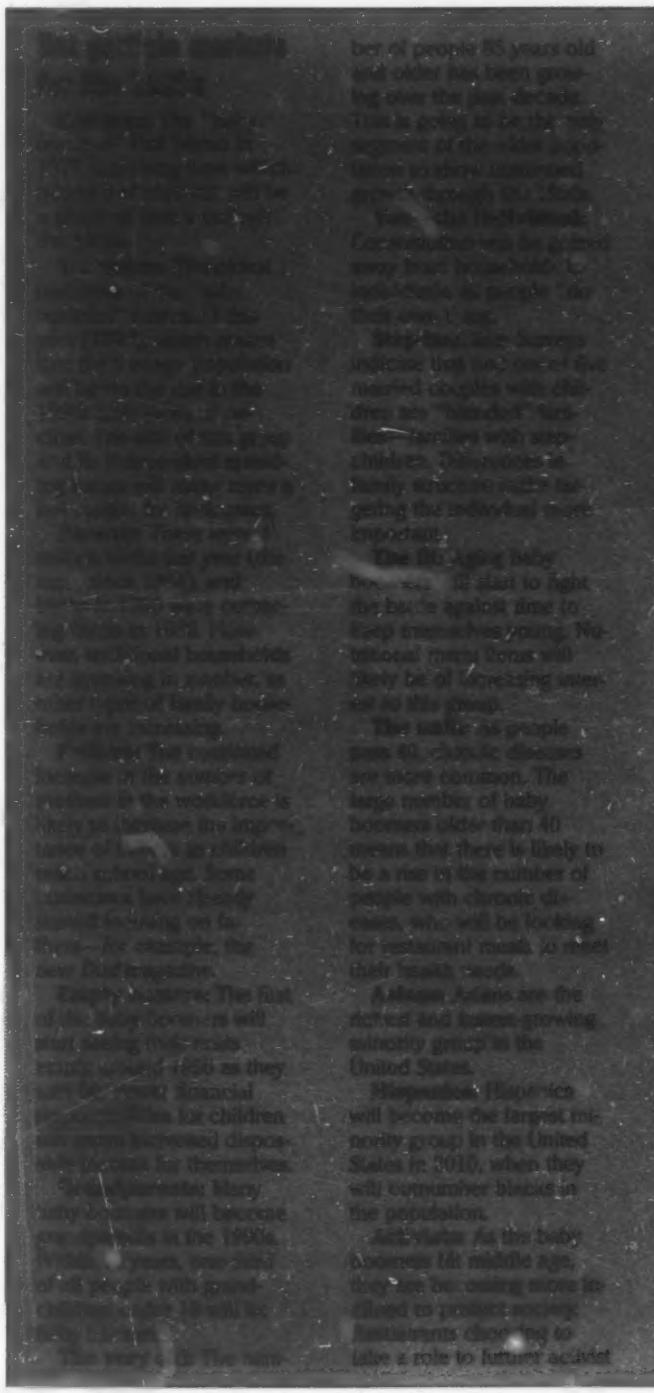
A recently released Population Reference Bureau bulletin, *Metropolitan America: Beyond the Transition*, states that 77 percent of people in the United States lived in metropolitan areas in 1988—more than double the proportion that did so in 1910 (37.5 percent). In addition, the population living in and around these areas shifted in the 1980s, as some areas became magnets for specific groups.

For example, many baby boomers moved away from metropolitan areas in the north, such as Scranton–Wilkes-Barre, Pennsylvania; Buffalo, New York; and Pittsburgh, Pennsylvania; to areas such as Washington DC, Atlanta, Dallas, San Francisco and Las Vegas, lured in part by greater employment opportunities and the attributes of these areas. The former group, known as the baby-boomer losers—which also includes Johnstown, Pennsylvania; Youngstown, Ohio; Huntington–Ashland, West Virginia–Kentucky–Ohio; Duluth–Superior, Minnesota–Wisconsin; Erie, Pennsylvania; Springfield, Massachusetts; and Syracuse, New York—witnessed declines of more than 5 percent in the population born in the baby-boom years. The latter group, referred to as baby-boomer magnets, enjoyed a growth of at least 10 percent in the number of baby boomers. This group also includes Denver, Houston and Austin, Texas; Colorado Springs, Colorado; and Portsmouth, New Hampshire–Maine. Because baby boomers are in their prime earning years, those areas that have gained baby boomers should benefit from increased restaurant spending while those areas that have witnessed an outflow may have to target other markets to make up for lost revenue.

Baby boomers are not the only group relocating, however. There are 10 metro areas defined as elderly magnets. Eight metropolitan areas in Florida—Sarasota, West Palm Beach, Fort Myers, Fort Pierce, Naples, Ocala, Lakeland and Melbourne—along with Medford, Oregon, and Tucson, Arizona, saw an increase of 20 percent or more in their populations of seniors between 1980 and 1985. In addition, several of these metropolitan areas, in particular Sarasota, Naples and West Palm Beach, may be attracting wealthier seniors. All three of these areas showed per capita personal incomes of more than $21,000 in 1988. The National Restaurant Association's 1988 *Consumer Expenditure Survey* indicated that seniors, like people of younger age groups, spent more money on food away from home as income increased. Therefore, the areas attracting wealthier seniors are likely to reap greater benefits, although it is important to keep in mind that consumer confidence is low among the older population, many of whom live on fixed incomes.

Many metropolitan areas are also seeing shifts in ethnic and racial composition, which will also influence consumer spending patterns.

Although the black population in northern cities, such as New York, Detroit, Philadelphia and Chicago, continued to grow between 1980 and 1985, metro areas in the South and West showed double-digit increases in their black populations. The growth of the black population between 1980 and 1985 in Los Angeles (12.1 percent), Washington DC (10.3 percent), Houston (13.6 percent), At-



lanta (15.6 percent) and San Francisco (11.2 percent) outpaced the nationwide 8.3 percent growth of the black population over the same time period. In addition, these 10 metropolitan areas were home to nearly half of the total black metropolitan population in 1985.

Seven metropolitan areas posted double-digit growths in their Hispanic populations between 1980 and 1985—Los Angeles (32.3 percent), New York (14.7 percent), Miami (30.0 percent), San Francisco (19.4 percent), Chicago (22.2 percent), Houston (33.3 percent) and San Antonio (16.9 percent). Hispanics are particularly influential in Los Angeles (28 percent of the population), Miami (28 percent of the population) and San Antonio (47 percent of the population).

Four metropolitan areas—Los Angeles, Honolulu, New York and San Francisco—are home to nearly 40 percent of the nation's Asian population.* With the exception of Honolulu, whose Asian population advanced 13.9 percent between 1980 and 1985 to 64 percent of the total population, the other three metro areas witnessed increases in the Asian population of more than 40 percent between 1980 and 1985. Restaurateurs in these areas can take heart knowing that Asians are the fastest growing and the wealthiest of all minority groups in the United States.

Other notable trends

Another lifestyle trend that restaurateurs have been benefiting from is a perceived decline in leisure time. According to John P. Robinson, professor of sociology at the University of Maryland at College Park and the director of the Americans' Use of Time Project, there is the perception that leisure time is on the decline. Robinson points out, however, that this perception may be false, as the gains in leisure time experienced during the 1970s remained fairly stable through the 1980s.

Whether leisure hours have decreased or not, consumers are making an effort to fit more into each day. As a result, they are willing to pay for such conveniences as takeout and home delivery in exchange for time. The convenience of restaurant meals as an alternative to home cooking will continue to relieve the stress of having to prepare food in a hurry.

**Asian also includes the population of Pacific Islanders, American Indians, Eskimos and Aleuts.*

causes may be rewarded with customer loyalty.

Savers: Baby boomers with children are likely to become increasingly concerned about college costs as their children mature. For restaurateurs, having a high perceived cost-value relationship will be important to attract this group.

The poor: Helping the poor has become a key social issue, and a possible redefinition of the poverty line could put more people in this class. Low price is of major importance in marketing to this group.

The affluent: The number of baby boomers in their peak earning years will increase the number of affluent households, at least on paper. Many in this group feel that their money is committed to necessities, and a high price-value relationship may be needed to attract this group.

The middle class: No matter how high their income, the majority of Americans still consider themselves to be members of the middle class. Therefore, speaking an elite message is not likely to attract the bulk of the population.

Women in charge: Many women now think of their jobs as careers. As their earnings increase, these women are becoming more responsible for the "bottom line."

Workers: Two out of three Americans are in the labor force (the largest proportion in history), and the proportion should increase through the 1990s. Since most of these people are trying to balance home and work, restaurateurs who can make this easier (by providing takeout and delivery, for example) are likely to profit from this group.

Students: More people are going to school at different times in their lives, and it is possible that the number of students older than 18 may outdistance those younger than 18.

Entrepreneurs: Baby boomers who hit a ceiling in their jobs are likely to start new businesses. With more people moonlighting and more people opening home offices, there is likely to be a blurring between work and home. This may lead to more at-home restaurant business.

Vacation-home owners: Since vacation-home ownership increases from age 45 to mid and late-50s, an increase in the prime vacation-home owner population is likely to drive up the number of vacation-home owners. Restaurateurs located in areas of high vacation-home concentration should benefit from increased demand.

Fun seekers: Americans today spend more money on entertainment than they do on clothing. The fun seekers will likely look for "experiences." This could help those fine-dining establishments positioned to offer those experiences.

Housewives: Once the driving force of the consumer market, housewives are still a strong particle market. Housewives have become more unlike their working counterparts.

Source: ©*American Demographics, 1990;* used with permission

SERVICE: BUZZWORD OF THE 1990s

As consumers tighten their belts and competition for their expenditures intensifies, value received for dollars spent is likely to become increasingly important. Thus, to satisfy value-driven consumers, it will be necessary to meet or exceed their service expectations.

The service issue is one that demands special attention, particularly in a period when consumer confidence is low and economic expansion is slim. Results of two new National Restaurant Association surveys suggest that some restaurateurs may be overestimating customer satisfaction with service, which could lead to an unexplained loss of customers.

The association's *1990 Tableservice Operator Survey*, a survey of 456 table-service restaurant operators, found that approximately nine out of 10 restaurateurs believe that customers are either satisfied or very satisfied with the service they are getting at their restaurants. In contrast, an association Gallup survey conducted in September 1990 found that a lower 60 percent of adults reported being satisfied with the service they received at tableservice restaurants. Moreover, nearly one out of three adults is ambivalent—reporting neither satisfaction nor dissatisfaction with the service received.

Although these surveys do suggest that most consumers are satisfied with the service they are receiving, there appears to be a discrepancy between the perception of restaurateurs and the actual ratings given

by consumers in the Gallup survey.

This discrepancy can be explained in part by the fact that some customers who are dissatisfied don't complain. Evidence of this practice was documented in a 1986 study by the U.S. Office of Consumer Affairs. That study indicates that 37 to 45 percent of all service customers are dissatisfied but don't complain and that nearly 30 percent of customers who are dissatisfied and don't complain do not return to the establishment.

The association's Gallup survey identifies areas in which consumers are more and less satisfied with the service they received. Seventy-six percent rated tableservice staff as good or excellent in delivering an accurately totaled guest check, and a similar proportion rated servers good or excellent at answering questions about menu items. Sixty-four percent rated servers good or excellent in providing timely service, and nearly the same proportion rated staff good or excellent in recommending appropriate menu items.

Among the five service elements, consumers are least satisfied with the way servers handle complaints. Although a majority—55 percent—said the waitstaff was good or excellent at complaint handling, 33 percent rated servers as fair and 10 percent rated them as poor in this area.

No doubt some who are dissatisfied with how complaints are handled do not return. According to the study by the Office of Consumer Affairs, the problem is compounded by the fact that consumers who are dissatisfied with the way complaints are handled tell twice as many people about their negative experience as those whose complaint was resolved satisfactorily.

Empowering employees

According to a 1988 Sandy Corporation study of service-industry executives, hospitality executives say employees are the key when it comes to providing customer satisfaction. Nevertheless, hospitality executives are not necessarily implementing the customer-satisfaction strategies they say are most effective.

For instance, an overwhelming 92 percent of hospitality executives surveyed by the Sandy Corporation said that providing recognition/rewards for employees based on customer service was the top-ranking customer-satisfaction strategy. In contrast, 64 percent indicated that their companies actually had a recognition/reward program, making it one of the least commonly used customer-satisfaction strategies—ranking ninth out of 11.

In the two years since the study was completed, more companies have begun to put recognition/reward systems in place for employees who provide outstanding customer service, reports Michael Jackson of the Sandy Corporation. As a result, better service is paying off in terms of repeat business and employee retention. By allowing employees to take responsible action to satisfy customers, many get a sense of accomplishment. This front-line responsibility helps foster unity among employees and loyalty to the firm as employees see direct and immediate results from their efforts.

Satisfaction with service at tableservice restaurants

Customers were least satisfied with servers handling complaints

	Percent rating service as:			
Service	**Excellent**	**Good**	**Fair**	**Poor**
Delivering an accurately totaled guest check	26%	50%	20%	3%
Answering questions about menu items	24	50	22	4
Providing timely service	14	50	31	4
Recommending appropriate menu items	15	45	33	6
Handling complaints	14	41	33	10

Source: National Restaurant Association Gallup Survey, 1990

Why customer satisfaction is important

For operators not sold on the importance of customer service, a special analysis of 1990 restaurant industry operations survey data indicates that losing just one out of every 20 customers can make the difference between recording a profit or loss for the year.

Using the Sandy Corporation's methodology to estimate the costs of losing customers and assuming a loss of one in 20 customers who never return due to poor service (the overall service sector's annual customer-loss rate as estimated by the Sandy Corporation), a typical full-menu tableservice restaurant would lose 5,623 customers at an average check of $9.23 per person. Adding on an annual advertising and promotional cost of $0.17 per customer means that each lost customer costs the restaurant a minimum of $9.41. Over the course of a year, provided these customers did not return and were not replaced by other consumers, a typical tableservice restaurant would lose $52,892 or 5.3 percent of sales. With a median pretax income-to-total-sales ratio of 3.2 percent for full-menu tableservice establishments in 1989, a potential loss of 5.3 percent of sales would make the difference between posting a profit or loss for the year.

FOOD AND BEVERAGE TRENDS

Economic trends indicate that consumers are becoming increasingly value driven, and tableservice restaurants are responding to this new attitude with lower-priced, easy-to-prepare dishes. Approximately half of all tableservice restaurants have added lower-priced items to their menus, according to the National Restaurant Association's *1990 Tableservice Operator Survey*. This trend is likely to continue, as more chefs use less expensive ingredients to balance lower-priced items. Pastas, pizza and "bistro" fare are examples of items gaining in popularity. Growth in sandwiches, appetizers that can stand in as a meal, and casual meal combinations are another result of this trend. (See "Menu Analysis" section in this report.)

In addition, a back-to-basics style of cooking lends itself to a renewed interest in lower-priced regional fare, including game meats.

Chefs are also creating new culinary hybrids by incorporating ethnic influences from Asia, Latin America and the Middle East into their cooking.

As baby boomers come to realize their own mortality, nutrition may play an even bigger role in the '90s. Current food-consumption patterns reflect this health-oriented trend is well on its way. Consumers are consuming less red meat and more grains, fruits and vegetables.

For example, the consumption of grains, pasta and rice rose rapidly throughout the '80s. The combined consumption of pasta, rice and breakfast cereal increased 55 percent between 1971 and 1988 to 41 pounds per person.

Along with health benefits, these items add an extra advantage for the '90s consumer—price.

Use of specialty produce is also on the increase, including more unusual produce like cactus leaves, jicama and chili peppers. According to USDA, shipments of specialty vegetables have increased every year for more than a decade. Moreover, consumer concerns about food safety and environmental hazards have opened the way for organically grown products. Organic food sales rose 40 percent in 1989, reaching $1.25 billion. Increased availability and lower prices for organic foods in the '90s could point to growth for this market.

When it comes to beverages, the health-and-fitness craze has proved to be a boon for the $10.9 billion juice and juice-drink industry. During the next five years this market is projected to expand by 35 percent. In keeping with consumer demand for variety, juice manufacturers are looking toward the exotic with such flavors as kiwi, guava and other tropical combinations. Diet beverages are also expected to post dramatic growth in the next decade.

Bottled and sparkling water, the yuppie beverage of the 1980s, may be the "New Age" drink of the '90s, because these drinks appeal to both fitness-conscious and environmentally concerned patrons. Again, big gains should be seen in the juice-added sparkling-water segment, where sales have increased by almost one-third from 1988 to 1989. Americans' quest for the exotic has resulted in newly introduced flavors, such as spiced mango.

HEALTH AND NUTRITION

Nutrition and diet became a national issue in the late '80s as government agencies are beginning to get more involved in our nation's health. Two newly released reports set the mood for the coming decade. "Healthy People 2000," by the Department of Health and Human Services, proposes broad public-health goals that emphasize nutrition and physical fitness and focus on minorities. The third edition of the USDA "Dietary Guidelines for Americans" recommends specific individual intakes. Furthermore, recent concern over the growing number of children with high cholesterol levels and a high incidence of obesity has compelled the National Cholesterol Education Program to draft dietary guidelines for this high-risk population segment.

With nutrition awareness at an all-time high, the nation's priorities are twofold: number one is to reduce the intake of foods high in saturated fat and cholesterol; number two, to increase the consumption of complex carbohydrates and fiber. In response to this demand, there has been an explosion of fat-free and low-fat foods on the market.

Aside from foods that are naturally free of fat, fat-free products fall into two categories: products that use manufacturing technology and those that use fat substitutes. Fat-free products that use technology combine familiar ingredients, such as milk, egg protein and carbohydrate, in a process of heating, acidifying and blending to simulate the textural properties and taste of fat. Baked goods, processed cheese, frozen desserts and salad dressings have been successful in this area.

Fat substitutes, on the other hand, can be carbohydrate or protein-based or man-made substances. They either have fewer calories than fat or are not absorbed by the body.

Carbohydrate-based fat substitutes, such as cellulose gels, gums and starches, have been around for more than a decade and are used in a wide variety of foods. Protein-based substitutes are usually made from milk and/or egg protein. One popular fat replacement recently approved by the FDA is a low-calorie, protein-based substitute that provides one to two calories per gram, versus nine calories per gram of fat. Because of its molecular structure, however, this type of fat cannot be heated or it will lose its fat-like properties. That is why it is most appropriate for use in dairy products and frozen-dessert items.

Man-made fat substitutes are called sucrose polyester, a nonabsorbable synthetic compound. Because it has zero calories and more versatility than some protein-based compounds—this product can be heated—sucrose polyester is slated to be used as a partial or complete replacement for fats and oils. However, this fat substitute is still awaiting FDA approval.

In the area of low-fat foods, dairy, bakery and snack foods have shown the biggest product growth. Traditionally high in fat, dairy items in particular have been quickly adapted to respond to the consumer interest in low-fat products.

Thanks to innovative food-processing techniques, low-fat versions of bakery products and snack foods—typically high in fat—are enjoying new-found popularity.

The fiber craze of the 1980s shows no sign of waning in the 1990s. Multigrain products continue to proliferate, as heightened awareness regarding the strong link between increased fiber and the reduced risk of cancer and heart disease has aging baby boomers buying fiber-rich products. This trend is likely to continue as health becomes more important in the future.

Breakthroughs in the field of biotechnology will have a tremendous effect on our agricultural systems and future food supply. Biotechnology is the use of living systems or parts of living systems (such as enzymes) to create useful products. The bacteria required to produce cheese are a classic example of biotechnology that has been used for centuries. Through genetic engineering, the biotechnology of today can increase the efficiency of our agricultural system as well as improve the nutritional value of foods. Disease-resistant, insect-tolerant plants are already in the experimental stages. In the near future, food scientists, using biotechnology techniques, may be able to offer beef with less-saturated fat, calcium-rich dairy products, and better-tasting, more nutritious vegetables.

Foodservice operators are also responding to a changing food supply and increased consumer demand for healthier, lower-fat foods. A 1990 National Restaurant Association survey of fast food and family restaurant chains (with 350 or more units) found that almost 90 percent of respondents use all-vegetable oil and/or shortening exclusively for frying.

In addition, the majority of chain operators feature decaffeinated coffee (89 percent), entree salads and/or salad bars (78 percent), poultry without skin (78 percent), reduced or low-calorie salad dressings (74 percent), low-fat milk (74 percent), fruit juices (67 percent) and margarine (67 percent). Other popular items include grilled-chicken sandwiches (59 percent) and fresh vegetables (52 percent).

Tableservice restaurants are also eager to step up their nutrition efforts, according to a 1990 National Restaurant Association survey. In fact, the survey shows that a vast majority of tableservice operators will alter menu items on request to satisfy nutritional concerns. In most cases, all the customer needs to do is ask, and the restaurant will try to accommodate the request.

Furthermore, a majority of tableservice establishments offer menu items for the health-conscious consumer, and nearly one-half to two-thirds feature menu items on the basis of their nutritional benefits. The proportion of tableservice restaurants promoting the nutritional benefits of its menu items is up dramatically—from approximately 40 percent in the National Restaurant Association's 1988 survey of tableservice restaurants to approximately 55 percent in 1990.

The emphasis on nutrition and health as marketing tools has led to confusion among consumers regarding products promoted by some food manufacturers. This situation, along with consumers' increasing demand for easy-to-read nutrition information, prompted Congress to pass the Nutrition Labeling and Education Act of 1990. This legislation is designed to lessen consumer confusion by developing a uniform system of labeling that mandates specific ingredient/nutrition information (content and format), including standardized serving sizes, to appear on the label. It falls under the authority of FDA and currently covers all processed and packaged grocery-store items. Also included are health claims and such standard definitions as "low cholesterol" and "cholesterol free." Seafood and fresh produce are being considered as well.

In addition, the National Academy of Sciences (NAS), commissioned by FDA and USDA, issued its own nutrition-labeling recommendations. Although similar to FDA's proposals, NAS's recommendations expand coverage to include mandatory labeling for meat, poultry and restaurant foods. Current FDA proposals are still being revised but do not plan on including these areas. However, look for more nutrition-labeling activity in the future.

1990 MENU ANALYSIS

When it comes to dining out, Americans want more variety, more menu choices and a more casual dining experience, according to the 1990 menu analysis by the National Restaurant Association. The study looked at changes in restaurant menus over a five-year period (1985–1990) for entrees, sandwiches, beverages, cooking methods and special features (i.e. availability of takeout, children's menus and light or healthy sections). For analysis, 100 menus (lunch and dinner) were randomly selected from those submitted to the National Restaurant Association's Great Menu Contest. Fifty were chosen from among 1985 entrants, and 50 were chosen from 1990 entrants. The results of this menu analysis reinforce the trend toward casual dining.

□ *Sandwiches* grew more dramatically than any other menu item, jumping 56 percent from 434 items in 1985 to 679 items in 1990. Hamburgers/cheeseburgers, beef (other than hamburgers) and chicken were the top three sandwich choices in 1990 and accounted for the largest percentage—58 percent—of items in the sandwich category. Nevertheless, all three of these items showed a slight decline in the proportion of total sandwich entrees when compared to 1985—down by 4 percent, 2 percent and 2 percent, respectively. On the other hand, the number of items and percentage share for seafood, hot dogs/sausage, and cheese sandwiches grew by 3 percent, 1 percent and 2 percent, respectively.* As a result, the sandwich category in 1990 was more diverse, with sandwich types more evenly distributed and the top offerings somewhat less dominant.

□ *Entrees.* Among entrees the mix is changing. In 1990, meat and seafood continued to dominate the entrees category, with meat representing 21 percent of the entree mix and seafood representing 20 percent. Despite the increase in number of meat and seafood entrees from 1985 to 1990, however, these items did slip as a proportion of the total entree mix (by 3 percent). Pasta dishes, chicken-breast entrees and casual-combination meals gained a stronger presence in 1990.

Soup-and-salad combos

The top 10 menu features

Top-ranked features	Percent of menus featuring 1985	1990	Percentage point change
1 Information about side dishes accompanying entrees	56%	62%	+6
2 Light and healthy section	12	34	+22
3 Children's selection	10	30	+20
4 Soup and salad bar offered	16	28	+12
5 Daily/weekly specials	34	26	−8
6 Smaller cuts/portion size of beef offered	10	22	+12
7 Petite/half-size portions for select entrees other than beef offered	4	20	+16
8 Catering/banquets	14	18	+4
9 Symbols for healthy dishes	2	18	+16
10 Takeout/delivery	20	16	−4

Source: National Restaurant Association

**The growth in offerings of hot dogs/sausages and cheese sandwiches can be attributed to an increase in children's menu items in 1990.*

were the major contributors to casual-meal-combination entrees, making up 43 percent of the total mix. Soup-and-sandwich combos witnessed the biggest growth, climbing from 18 percent to 32 percent of total combinations, while soup-and-quiche combos lost popularity, dropping from 18 percent to 4 percent over the five-year period.

□ *Appetizers*, which sometimes stand in for a meal, increased by 25 percent from 382 items in 1985 to 476 items in 1990.

Overall, the greater variety of foods on the 1990 menus reflects the industry's response to the consumer demand for more choices and more customized meals. Both entree and sandwich categories presented greater diversity in 1990 than five years earlier. There were more ethnic dishes and regional items as well.

□ *Ethnic items*. The number of Mexican entrees grew from 73 dishes in 1985 to 99 dishes in 1990—an increase of 36 percent. However, the representation of Mexican entrees in the overall entree mix did not change (7 percent). The number of Asian-influenced foods in both entree and sandwich categories, on the other hand, more than doubled, rising from 33 items in 1985 and 2 percent of the total mix to 85 dishes and 4 percent of the total mix. The most popular Asian-influenced item in 1990 was chicken teriyaki, taking 21 percent of the category.

□ *Regional items*. There was a jump in the number of dishes with regional or locality names, from 57 times in 1985 to 88 in 1990. However, the share stayed the same for both years—4 percent. Overall, there were nearly twice as many different regions mentioned in 1990—49 versus 27 in 1985. One of the 1990 menus even offered a "Taste of the States" section.

□ *Nutrition*. Increased interest in nutrition was apparent in all areas. Not only was there a prevalence of seafood entrees, chicken-breast entrees, pasta dishes and casual-combination meals in the 1990 menus, there was also a growing concern about how items were prepared.

Cooking methods were cited 759 times in 1990 versus 413 times in 1985. Among cooking methods, charbroiling/broiling took the lead in 1990, accounting for 22 percent of total cooking-method mentions, followed closely by grilling/chargrilling (21 percent). Frying ranked third at 16 percent, slipping from its first-place position in 1985, when it accounted for 22 percent of mentions.

□ *Special features*. This section reinforces concern about nutrition and indicates the public's growing desire for more information about the food consumed. This year's menus offer more complete descriptions of foods, more light/healthy sections and a greater number of symbols to highlight healthier items.

More than one-third of menus featured a light and/or healthy-type section in 1990—up from only 12 percent in 1985. The availability of smaller portion sizes for both beef and other types of meals increased substantially in 1990. A combined total of 42 percent of menus offered petite portions in 1990, compared to 14 percent in 1985. Symbols for healthy dishes grew from 2 percent in 1985 to 18 percent in 1990.

□ *Beverages*. There was less emphasis on beverages in 1990 than in 1985, with beverage mentions declining from 233 to 225. Alcoholic drinks posted the biggest drop, falling from 31 percent of beverage mentions in 1985 to 26 percent of all beverage items in 1990. Mixed drinks were down the most; wine and beer mentions stayed relatively equal.

INDUSTRY OPERATIONS

Increased public attention is being focused on environmental issues, especially with regards to the solid-waste problem. Landfills in some areas of the country are reaching capacity, and few replacements are being opened because of siting difficulties. Furthermore, environmental concerns in some locations have resulted in bans or taxes on specific types of packaging, escalating disposal costs and restrictions or fees on specific packaging materials.

Restaurateurs help the environment

As environmental issues grow in importance, restaurant operators are responding by taking steps to help preserve the environment and conserve resources. The National Restaurant Association's *1990 Tableservice Operator Survey* shows that many restaurants are involved in recycling. In 1990, 45 percent of restaurants with sales volumes of less than $500,000 were recycling cans, one-third were recycling paper, one-third were recycling glass and 16 percent were recycling plastic. Establishments with sales volumes of $1 million and more were slightly less likely to recycle—23 percent were recycling cans, 22 percent were recycling paper, 28 percent were recycling glass and 13 percent were recycling plastic.

Municipal solid waste continues to increase steadily—both in overall tonnage and in pounds per capita. According to the Environmental Protection Agency's *Characterization of Municipal Solid Waste in the United States: 1990 Update*, in 1988 U.S. consumers generated 180 million tons of municipal solid waste or 4.0 pounds per person per day. Without source reduction, the amount of waste generated in 1995 is expected to reach 200 million tons or 4.2 pounds per person.

Source reduction has been getting serious consideration, however. A long-term solution, source reduction involves limiting the quantity of solid waste produced and reducing the toxicity of the solid waste that is generated.

Restaurants are becoming part of the solid-waste solution by evaluating and making packaging changes. According to the National Restaurant Association survey of chain operators, in

Tableservice restaurants that are recycling

Many restaurant operators were involved in recycling in 1990

	Sales volume		
Percent that are recycling	Less than $500,000	$500,000–$999,000	$1 million and more
Paper	34%	19%	22%
Glass	33	24	28
Plastic	16	11	13
Cans	45	29	23

Source: National Restaurant Association, *1990 Tableservice Operator Survey*

Computer usage at tableservice restaurants

Accounting and bookkeeping top the list of computer applications in restaurants

	Annual sales volume		
Percent using computers for*	Less than $500,000	$500,000–$999,000	$1 million and more
Accounting/bookkeeping	86%	84%	89%
Inventory control	49	56	67
Recipe costing	46	37	47
Purchasing	38	44	40
Labor/time/attendance records	35	48	57
Food-product forecasting	24	47	48
Employee scheduling	19	20	29

**of those using computers in their operations*

Source: National Restaurant Association, *1990 Tableservice Operator Survey*

1989, nine in 10 chain restaurant operators had worked with suppliers to revise packaging and 76 percent had revised takeout packaging.

Rising costs and restrictions on solid-waste disposal were common in 1990. According to the association's *1990 Tableservice Operator Survey*, three-quarters of establishments with sales volumes of $1 million and more had experienced increased collection or disposal costs, as had 57 percent of operators with sales volumes of less than $500,000. Three in 10 restaurateurs with sales volumes of $1 million and above had experienced closure or limitations on landfills, as had a smaller 19 percent of operators with sales of less than $500,000. Restrictions or fees on specific material, such as plastic or styrofoam, had been placed on 14 percent of establishments with annual sales of $1 million and more and 17 percent of establishments with sales of less than $500,000. One in 10 operators with sales of $1 million and more and 7 percent with sales of less than $500,000 had been subjected to mandated source separation.

In addition to working on solutions to the solid-waste problem, many restaurant operators have taken steps to conserve energy and water. Some are also sponsoring community conservation activities.

International expansion

Important political and economic changes have swept the globe, opening up unprecedented opportunities for many U.S. restaurant companies. Because they are facing saturation at home, many chains are seizing these opportunities and staking out new positions in foreign markets.

While U.S. foodservice companies continue to look at investment opportunities abroad, foreign financiers have invested in U.S. companies. According to the U.S. Department of Commerce, outlays by foreign direct investors to acquire or establish U.S. businesses in 1989 were $64.6 billion—down from a record $72.7 billion in 1988 but still well above the levels of previous years. For instance, total outlays by foreign direct investors were $23.1 billion in 1985 and $40.3 billion in 1987.

Computer usage

With the proliferation of computers in our society, it is not surprising that restaurateurs, too, are turning to computers in their daily operations. According to the National Restaurant Association's *1990 Tableservice Operator Survey*, 75 percent of tableservice operators with sales of $1 million and more used a personal computer in their operations, and 67 percent used POS (point-of-sale) equipment—an increase from two years ago. However, restaurant operators with lower sales volumes were less likely to use computer equipment. For instance, 38 percent of restaurant operators with sales of less than $500,000 used a personal computer and 20 percent used POS equipment. Operators are using computers in such areas as accounting, bookkeeping, inventory control and time/attendance records.

In fact, many restaurant operators are using computer software that has been tailored to fit their specific needs. For instance, some pizza establishments use computers to track deliveries and keep records of repeat customers.

No doubt, the use of personal computers will continue to increase in the workplace. According to COMTEC, a division of Gartner Group, Inc., located in Stamford, Connecticut, in 1989 there were 14 million personal computers in use in the workforce, a 30 percent advance over the 10.7 million in 1988.

Labor outlook

Despite the slower economic growth, which generally eases competition for employees, the association's *1990 Tableservice Operator Survey* reveals that labor tops the list of important problems restaurant operators expect to face in 1991, cited by more than one-third of tableservice operators.

According to a December 1989 National Restaurant Association Gallup survey, many restaurant operators have responded to the labor shortage by making operational adjustments. More than one-third of restaurant managers reported that they had installed laborsaving equipment in the past two years. This is especially true for fine-dining places, large restaurants and restaurants located in the West. Dishwashers were by far the most common single piece of labor-saving equipment purchased, followed by slicing machines and computers.

Other steps restaurant managers have taken or anticipated taking include improving training and increasing starting wages. Nearly three-fourths of respondents had improved or expect to improve training, and 61 percent had increased or anticipate increasing starting wages.

Benefits offered

In addition to tapping new

Most important problem tableservice operators expect to face in 1991

	Sales volume		
Percent who said	Less than $500,000	$500,000–$999,000	$1 million and more
Labor/finding qualified labor	41%	36%	32%
Maintaining volume of business	25	20	22
Increased costs	20	17	17
Inflation/recession/economy	9	14	17

Source: National Restaurant Association, *1990 Tableservice Operator Survey*

sources of labor, installing laborsaving equipment and employing laborsaving techniques, many restaurateurs are enhancing their benefits offerings to attract workers. According to a December 1989 National Restaurant Association Gallup survey, nearly half of restaurant managers said they had improved benefits or plan to do so.

According to the association's 1989 *Survey of Benefits for Hourly Employees in Foodservice*, the most popular benefits provided to hourly employees at foodservice companies with annual sales of $1 million or more were meals and paid vacation leave (provided by 90 percent or more employers).

In addition, more than four out of five companies offered medical/surgical coverage, half offered service awards, 44 percent offered Christmas bonuses and 13 percent offered paid maternity leave. Almost half of respondents provided paid or unpaid leave, other than vacation, for eligible hourly employees to care for sick children, a sick spouse, and sick older family members.

The median benefit costs for hourly employees accounted for 18 percent of hourly payroll costs.

It is important to note that restaurants with sales of less than $1 million often are not able to offer such generous employee benefits.

LEGISLATIVE AND REGULATORY ISSUES

In 1991, the foodservice industry will continue to face a variety of complex legislative and regulatory issues. In addition to labor-related issues, there will be an emphasis on nutrition information and issues regarding health and safety.

Important issues to watch at the federal level include

- civil rights
- child-labor laws
- mandated benefits
- the small-business exemption
- mandatory nutrition and ingredient labeling
- enforcement of the Immigration Reform and Control Act
- the setting of lower blood-alcohol-content levels
- seafood inspection and
- various tax issues.

Also, the federal minimum wage will increase again on April 1, 1991, to $4.25 per hour.

Key state and local issues to watch in 1991 include

- alcohol and meal taxes
- mandated health benefits and
- solid-waste/product packaging.

1991 operations costs

Menu prices are forecast to increase 4.6 percent in 1991, slightly below the 4.8 percent gain in menu prices recorded during 1990. Continued consumer resistance to menu-price increases and the increasingly competitive environment are expected to keep menu prices below the overall inflation rate in 1991. Annual increases in menu prices have remained below 5 percent since 1982.

- **Food:** Wholesale food prices are expected to increase at a slower pace in 1991—3.7 percent, compared with 5.0 percent in 1990. Overall, declining livestock feed prices and increases in production should translate to more modest gains in 1991. On an individual basis, production is expected to increase for both broilers and turkeys, resulting in more-than-adequate poultry supplies and better prices. Domestic production of pork should also increase, making up for the expected decline in imports. Lower prices for poultry and pork should keep price increases for beef down, although grass-fed-beef production is expected to decline as breeders restock their herds. In addition, there will be adequate supplies of dairy products; milk production is forecast to increase in 1991, driving prices down.
- **Labor:** Industry labor costs are expected to increase 5.0 percent in 1991—down from the 6.5 percent advance in 1990. A new federal minimum wage took effect on April 1, 1990, and an additional increase to $4.25 per hour is scheduled for April 1, 1991. Also, the decline in the youth labor force, combined with relatively low unemployment rates in many areas, should continue to push wages up in 1991. Operators are likely to spend more on labor recruitment, training and benefits.
- **Other costs:** Other costs are projected to rise 5.1 percent in 1991, keeping pace with the anticipated overall inflation rate. One influential factor will continue to be the costs associated with solid-waste removal.

MARKETING AND ADVERTISING

To boost customer counts, many eating places have increased their use of promotional and advertising strategies. Evidence of this increase is clear from the growth in marketing and advertising expenditures as well as from growth in deal usage at restaurants.

The increase in promotions is not new, but there was a dramatic acceleration in 1990, according to CREST.* Although the rate of deal usage increased a relatively modest 3 to 4 percent per year between 1987 and 1989, it shot up more than 20 percent in the December-to-February and March-to-May 1990 quarters, when compared to the same time period in 1989.

Now, about one in five restaurant occasions involves some type of promotion, and the proportion is rising at tableservice restaurants as well as at fast food places. Early in 1990 deals accounted for about 23 percent of occasions at quickservice establishments, 16 percent at midscale establishments and more than 14 percent at upscale restaurants—well above levels one year earlier.

Although value-driven consumers are responsive to promotional offers, restaurateurs, who are becoming increasingly conscious of the importance of maintaining menu-price integrity, are focusing on alternatives to the typical price-off offer. Some traffic-building alternatives receiving more attention include

- short-run specials or different menu items available for a limited time at a special price
- lower-priced alternatives added to the regular menu
- frequent-diner promotions and
- other special offers that are not related to price.

**CREST stands for* Consumer Reports on Eating Share Trends, *a diary survey conducted by the NPD marketing and research companies.*

Frequent-diner programs, similar to frequent-flyer programs offered by many airlines, may become more prevalent at tableservice establishments. According to the association's *1990 Tableservice Operator Survey*, 24 percent of respondents currently offer a frequent-diner program, and an additional 12 percent are planning to offer one in the coming year. These offers are in line with consumer interests. A 1990 National Restaurant Association Gallup study found that 44 percent of adults said they would be interested in such a program if offered by tableservice restaurants in their area.

In addition, many tableservice restaurateurs are changing their menu mix. About half of the respondents to the *1990 Tableservice Operator Survey* said they added lower-priced items to their menus.

Efforts are also being made to correct problems created by undermarketing, according to the National Restaurant Association's *1990 Industry Operations Survey*. A special analysis of survey results indicates that full-menu tableservice restaurants disproportionately increased spending on advertising and promotions in 1989 to $114 per seat—up 8 percent from $106 per seat in 1988. The increase in median advertising and promotional costs outpaced increases in occupancy costs (up 5 percent) and total controllable expenses (up 5 percent).

Restaurants, hotel dining and night clubs spent $1.6 billion** on national advertising in 1989—up from $1.4 billion in 1988—according to Leading National Advertisers. Restaurants and drive-ins spent $838 million on selected television advertising in 1989, accounting for 16 percent of all television advertising sales and making them the number-one ad spenders, according to the TV Bureau of Advertising.

Indications are that restaurants have been responding to changing television viewing patterns, as spending for cable television advertising has skyrocketed. According to the Cable Advertising Bureau, restaurants and drive-ins spent more than $22 million in selected cable television network advertising in 1989—almost triple the $8 million spent in 1988. Moreover, selected cable advertising expenditures by restaurants and drive-ins totaled $15 million during the first six months of 1990—up from $9 million spent during the first half of 1989.

***includes advertising in selected magazines, Sunday magazines, newspapers, and on billboards, network television, spot television, syndicated television, cable television networks and network radio.*

Takeout

In 1989, off-premises traffic represented more than 45 percent of the industry total—up from 42 percent in 1986. Takeout continues to be the driving force behind industry growth and offers expansion opportunities for foodservice operators.

However, since 1987 the rate of growth in the off-premises market has slowed. According to CREST, in 1989 takeout customer counts advanced 3 percent, compared to a 7 percent increase in 1987. However, in spring 1990 takeout traffic advanced 8 percent over spring 1989. Delivery and drive-thru customer counts have continued to grow since 1987, but at noticeably lower rates.

Consumer interest in carryout from tableservice restaurants continues unabated. According to a National Restaurant Association Gallup study, in September 1990 almost half of adults under 55 reported they would be likely to purchase ready-to-eat takeout meals, if offered at tableservice restaurants. The association's *1990 Tableservice Operator Survey* shows that tableservice operators are responding to consumers' convenience needs. In 1990, nine out of 10 tableservice operators with a check size of under $15 offered ready-to-eat takeout meals.

In 1990 more tableservice operators offered bakery items for sale to consumers. In 1990, four out of 10 tableservice operators with a check size of less than $15 per person offered retail sale of bakery items, compared to three in 10 in 1988.

Types of convenience services provided by tableservice restaurants

Takeout meals lead in convenience services offered by tableservice restaurants

	Dinner check size per person			
Convenience service	**Less than $8**	**$8–$14.99**	**$15–$24.99**	**$25 and more**
Ready-to-eat takeout meals	93%	87%	77%	52%
Retail sale of bakery items	44	36	32	21
Delivery of menu items to customers	14	15	15	17
Retail sale of items by the pound	31	31	23	19
Off-premises catering	30	46	42	44

Source: National Restaurant Association, *1990 Tableservice Operator Survey*

MAJOR MARKET OUTLOOK FOR 1991

This section examines sales projections for eight major foodservice markets for 1991.

Transportation foodservice

□ After adjusting for inflation, transportation foodservice sales are projected to grow 4.4 percent in 1991, marking the seventh consecutive year of real growth.

□ Increased fuel costs will most likely lead to higher airfares in 1991,

Transportation foodservice sales: $2.9 billion

	1988 Estimated F&D sales ($000)	1990 Projected F&D sales ($000)	1991 Projected F&D sales ($000)	1990-91 Percent change	1990-91 Percent real growth change	1988-91 Compound annual growth rate
Total transportation foodservice	**$ 2,188,434**	**$ 2,655,321**	**$ 2,889,496**	**8.8%**	**4.4%**	**9.7%**
Contractors, in-transit commercial airlines	1,204,892	1,474,795	1,605,466	8.9	4.3	10.0
Transportation *	983,542	1,180,526	1,284,030	8.8	4.5	9.3

** includes sales on airlines, passenger/cargo liners and railroads*

thus leading to cutbacks in airline traffic and contractor sales for in-transit foodservice. Nonetheless, real sales are projected to rise by 4.3 percent.

□ The booming cruise-line business should continue to help the noncontractor portion of transportation foodservice. After adjusting for inflation, cruise-line sales are expected to grow a healthy 11.8 percent. Continued marketing should help lower-end cruises make up for an expected decline in more expensive cruises. Railroads should continue to benefit from modest passenger increases, especially along the Boston–Washington DC corridor.

Educational foodservice

□ Sales in this segment are expected to grow 0.8 percent in inflation-adjusted terms in 1991 to reach $12.3 billion.

□ Colleges and universities should continue to see an increase in enrollment, despite a decline in the number of those in the prime-age pool. Fall 1990 enrollment at both public and private colleges and universities was up 1.0 percent. With the continued decline of prime-age entrants, foodservice will grow increasingly important in the marketing mix of colleges and universities. This fact, combined with cost-containment efforts, will benefit contractors. Contractors are expected to post a 6.0 percent real sales gain, compared with a 2.6 percent real decline for colleges and universities that operate their own foodservice.

□ Primary and secondary schools should see a 0.5 percent overall increase in the student population. However, while primary schools are likely to enjoy a 1.4 percent increase in enrollment, secondary schools are projected to see a 1.8 percent drop in enrollment. Increased contractor penetration should lead to a 1.9 percent real growth in their foodservice sales to primary and secondary schools, but the category made up of institutions that offer their own foodservice should witness a slight 0.1 percent sales decline in real terms.

Recreational foodservice

□ Total sales in this sector are expected to advance 1.3 percent in real terms in 1991.

□ Increases in sporting-event attendance should help boost contractor sales by 1.4 percent in real terms, while increased movie and theme-park attendance should help noncontractor sales grow by an inflation-adjusted 1.4 percent.

□ National-park visits and some theme-park attendance is likely to be dampened because of economic concerns and increased gasoline prices. Higher airline fares may shorten trip length.

□ Modest increases in club memberships and slight increases in sporting and recreation camps should give clubs, sporting and recreational camps a 0.8 percent sales growth in real terms.

Employee foodservice

□ In 1991 manufacturing and industrial-plant employment should be up by 0.2 percent. Commercial and office employment should grow by a higher 1.9 percent, as jobs connected with the information sector increase.

□ Total employee foodservice sales should grow a modest 0.3 percent in real terms. Contractors should account for all the growth in the segment; their inflation-adjusted sales are forecast to rise 2.5 percent at manufacturing and industrial plants and 1.9 percent at commercial and office

Educational foodservice sales: $12.3 billion

	1988 Estimated F&D sales ($000)	1990 Projected F&D sales ($000)	1991 Projected F&D sales ($000)	1990-91 Percent change	1990-91 Percent real growth change	1988-91 Compound annual growth rate
Total educational foodservice	**$ 10,223,068**	**$ 11,621,797**	**$ 12,257,302**	**5.5%**	**0.8%**	**6.2%**
Colleges & universities						
Contractors	2,283,774	2,864,756	3,174,150	10.8%	6.0%	11.6%
Institutional	3,535,867	3,948,438	4,034,209	2.2	−2.6	4.5
Subtotal	**$ 5,819,641**	**$ 6,813,194**	**$ 7,208,359**	**5.8%**	**1.0%**	**7.4%**
Primary & secondary schools						
Contractors	1,056,638	1,195,092	1,272,773	6.5%	1.9%	6.4%
Institutional	3,346,809	3,613,511	3,776,260	4.5	−0.1	4.1
Subtotal	**$ 4,403,447**	**$ 4,808,603**	**$ 5,049,033**	**5.0%**	**0.4%**	**4.7%**

Recreational foodservice sales: $7.1 billion

	1988 Estimated F&D sales ($000)	1990 Projected F&D sales ($000)	1991 Projected F&D sales ($000)	1990-91 Percent change	1990-91 Percent real growth change	1988-91 Compound annual growth rate
Total recreational foodservice	**$ 5,921,862**	**$ 6,684,138**	**$ 7,077,674**	**5.9%**	**1.3%**	**6.1%**
Recreation & sports centers*						
Contractors	1,598,556	1,797,828	1,905,698	6.0	1.4	6.0
Noncontractors *	2,367,322	2,707,167	2,875,798	6.2	1.4	6.7
Subtotal	**$ 3,965,878**	**$ 4,504,995**	**$ 4,781,496**	**6.1%**	**1.5%**	**6.4%**
Clubs,** sporting and recreational camps	1,955,984	2,179,143	2,296,178	5.4	0.8	5.5

** includes sales at drive-in movies, bowling lanes and recreational and sports centers*

*** A proportion of food and beverage sales in clubs is business-related.*

Employee foodservice sales: $7.4 billion

	1988 Estimated F&D sales ($000)	1990 Projected F&D sales ($000)	1991 Projected F&D sales ($000)	1990-91 Percent change	1990-91 Percent real growth change	1988-91 Compound annual growth rate
Total employee foodservice	**$ 6,470,883**	**$ 7,087,399**	**$ 7,438,829**	**5.0%**	**0.3%**	**4.8%**
Food contractors						
Manufacturing & industrial plants	3,356,495	3,825,121	4,097,719	7.1	2.5	6.9
Commercial & office buildings	1,134,717	1,288,226	1,371,961	6.5	1.9	6.5
Institutional employee foodservice *	1,979,671	1,974,052	1,969,149	−0.2	−5.0	−0.2

** includes sales for industrial and commercial organizations, seagoing ships and inland-waterway vessels*

buildings. The institutions that provide their own employee foodservice may witness a 5.0 percent real decline, as contractors increase penetration.

Military foodservice

□ Planned reductions in troop strength and deployment of troops to Saudi Arabia are likely to depress military foodservice sales at exchanges and in military clubs.

□ In inflation-adjusted dollars, military foodservice sales are expected to decline 8.9 percent overall. Real-sales declines of 8.5 percent and 9.6 percent are expected at NCO clubs and military exchanges, respectively.

Health-care foodservice

□ Total health-care foodservice sales are projected to reach $15.4 billion in 1991, posting real growth of 2.1 percent over 1990.

□ Increases in outpatient care have boosted the number of employees in hospitals, and AIDS patients have kept occupancy rates high. These factors, combined with a stabilization in the length of stay at hospitals, has helped hospital-foodservice-sales growth—real sales are forecast to grow 1.9 percent in 1991.

□ The aging population and slow expansion of nursing homes has maintained high occupancy rates in existing homes. Noncontractor sales in nursing homes are expected to advance an inflation-adjusted 1.9 percent.

□ Contractors continue to make headway into the health-care foodservice area, as demand grows for consistent, high-quality meals and cost containment becomes increasingly important. Inflation-adjusted sales for contractors in health-care foodservice should grow 4.0 percent in real terms.

Military foodservice sales: $1.0 billion

	1988 Estimated F&D sales ($000)	1990 Projected F&D sales ($000)	1991 Projected F&D sales ($000)	1990-91 Percent change	1990-91 Percent real growth change	1988-91 Compound annual growth rate
Total military foodservice *	**$ 997,397**	**$ 1,036,680**	**$ 992,495**	**-4.3%**	**-8.9%**	**-0.2%**
Officers' & NCO clubs ("Open Mess")	659,443	695,404	668,283	-3.9	-8.5	0.4
Military exchange foodservice	337,954	341,276	324,212	-5.0	-9.6	-1.4

** Continental U.S only*

Health-care foodservice sales: $15.4 billion

	1988 Estimated F&D sales ($000)	1990 Projected F&D sales ($000)	1991 Projected F&D sales ($000)	1990-91 Percent change	1990-91 Percent real growth change	1988-91 Compound annual growth rate
Total health-care foodservice	**$ 12,864,299**	**$ 14,505,022**	**$ [illegible]4,317**	**6.5%**	**2.1%**	**6.8%**
Contractors in hospitals & nursing homes	1,436,074	1,682,772	1,827,490	8.6	4.0	8.4
Hospitals *	7,826,206	8,901,764	9,476,794	6.5	1.9	6.6
Nursing homes	3,402,019	3,920,486	4,140,033	5.6	1.9	6.8

** includes voluntary and proprietary hospitals; long-term general, TB, mental hospitals; and sales or commercial equivalent to employees in state and local short-term hospitals and federal hospitals*

Lodging place foodservice sales: $15.7 billion

	1988 Estimated F&D sales ($000)	1990 Projected F&D sales ($000)	1991 Projected F&D sales ($000)	1990-91 Percent change	1990-91 Percent real growth change	1988-91 Compound annual growth rate
Total lodging places	**$ 13,252,635**	**$ 14,862,247**	**$ 15,664,808**	**5.4%**	**0.8%**	**5.7%**
Hotel restaurants	11,078,650	12,436,762	13,112,265	5.4	0.8	5.8
Motor hotel restaurants	834,008	932,659	982,090	5.3	0.7	5.6
Motel restaurants	1,339,977	1,492,826	1,570,453	5.2	0.6	5.4

Other foodservice sales

	1988 Estimated F&D sales ($000)	1990 Projected F&D sales ($000)	1991 Projected F&D sales ($000)	1990-91 Percent change	1990-91 Percent real growth change	1988-91 Compound annual growth rate
Retail hosts	$ 6,456,942*	$ 7,317,564*	$ 7,786,518*	6.4%	1.8%	6.4%
Mobile caterers	754,535	840,529	885,077	5.3	0.7	5.5
Vending & nonstore retailers **	4,937,911	5,423,085	5,694,239	5.0	0.4	4.9
Community centers	532,901	627,624	669,675	6.7	3.0	7.9

** reflects revision using new benchmark sales data from the 1987 Census of Retail Trade Merchandise Line Report released in June 1990*

*** includes sales of hot food, sandwiches, pastries, coffee and other hot beverages*

Lodging places

□ The 1991 outlook for foodservice sales at hotels, motor-hotels and motels is for a 0.8 percent real sales gain. Occupancy rates at existing properties should rise slightly because of slowed expansion of new properties.

□ Convention business is expected to decline somewhat, as many corporations look to reduce travel-related expenses. Higher airfares may lead to more travel closer to the time meetings and conventions are planned, thus reducing the length of lodging stays.

Other foodservice

□ Sales of meals, snacks and take-out food at **retail hosts** are expected to grow 1.8 percent in inflation-adjusted terms. Grocery-store sales are expected to remain strong. Gasoline-convenience stores should continue their growth, because oil companies have the cash to implement strategic expansion plans. Department and drug-and-proprietary stores are likely to show modest sales advances.

□ Real growth in both manufacturing and construction employment and sporting-event participation should help contribute to an expected 0.7 percent increase in real sales at **mobile caterers.** Minimal growth in manufacturing employment and low growth in office employment should depress **vending and nonstore retailers'** sales advances—projected to be 0.4 percent in real terms.

□ Increases in child-feeding programs are likely to offset declines in feeding programs for the elderly. Thus, **community centers** are expected to show a 3.0 percent real foodservice sales growth.

1991 FOOD AND DRINK PURCHASES

Foodservice industry food and drink purchases projected to 1991*

	Estimated food and drink purchases ($000)
GROUP I: Commercial Foodservice[1]	
Eating places	
Restaurants, lunchrooms	$27,186,446
Limited-menu restaurants	23,892,982
Commercial cafeterias	1,638,364
Social caterers	820,257
Ice cream, frozen-custard stands	581,994
Total—eating places	**$54,120,043**
Bars and taverns	499,469[2]
Total—eating and drinking places	**$54,619,512**
Food contractors	
Manufacturing and industrial plants	$ 1,739,072
Commercial and office buildings	583,769
Hospitals and nursing homes	663,287
Colleges and universities	983,986
Primary and secondary schools	521,837
In-transit feeding (airlines)[3]	770,624
Recreation and sports centers	600,295
Total—food contractors	**$ 5,862,870**
Lodging places	
Hotel restaurants	$ 4,075,392
Motor-hotel restaurants	308,257
Motel restaurants	513,628
Total—lodging places	**$ 4,[illegible]**
Other commercial	
Retail host restaurants	[illegible]
Recreation and sports	[illegible]
Vending and nonstore retailers	1,719,660
Mobile caterers	271,719
Total—other commercial	**$ 5,495,405**
TOTAL—GROUP I	**$70,[illegible]**

	Estimated food and drink purchases ($000)
GROUP II: Institutional Foodservice—Business, educational, governmental or institutional organizations that operate their own foodservice	
Employee foodservice	$ 900,919
Public and parochial elementary and secondary schools	3,666,117
Colleges and universities	1,607,061
Transportation	656,673
Hospitals	4,216,068
Nursing homes; homes for the aged, blind, orphans, mentally and physically disabled	2,543,470
Clubs, sporting and recreation camps	905,572
Community centers	790,216
TOTAL—GROUP II	**$15,286,096**
TOTAL—GROUPS I AND II	**$86,161,160**
Food furnished foodservice employees (FSE) in Groups I and II	$ 5,708,737
TOTAL—GROUPS I, II AND FSE	**$91,869,897**
GROUP III: Military Foodservice	
Defense personnel	$ 2,081,839
Officers' and NCO clubs ("Open Mess")	224,911
Foodservice—military exchange	120,964
TOTAL—GROUP III	**$ 2,427,714**
GRAND TOTAL	**$94,297,611**

*Purchases refer to expenditures by foodservice establishments for their food and drink supplies.
[1]Data are given only for establishments with payroll.
[2]Food purchases only
[3]Food purchases only
[4]Reflects revision using new benchmark sales data from the *1987 Census of Retail Trade Merchandise Line Report* released in June 1990

Food and drink purchases for the foodservice industry are forecast to reach $94.3 billion in 1991. Purchases in the *Commercial Foodservice Group*, which account for 75 percent of the total amount spent, should equal $70.9 billion.

Highlights for 1991 food and drink purchases

□ *Eating and drinking places*, which constitute the largest component of the Commercial Foodservice Group, are forecast to record food and drink purchases of $54.1 billion.

□ *Food contractor purchases* are expected to reach $5.9 billion. This group represents the largest component of the commercial segment, with the exception of eating places, in terms of food and drink purchases.

□ Purchases for the *Institutional Foodservice Group*, which account for 16 percent of total purchases, are projected to reach $15.3 billion.

□ *Hospitals*, the largest food and beverage purchaser in the institutional segment, should record purchases of $4.2 billion.

□ *Military foodservice* purchases are forecast to total $2.4 billion. Expenditures for defense personnel, the largest share of military foodservice purchases, are projected to total $2.1 billion.

REGIONAL AND STATE FORECAST

For the 11th consecutive year, the National Restaurant Association has forecast eating-place sales for each of the 50 states and the District of Columbia.

Eating-place-sales performance depends to a great extent on the economic situation in the region. Factors such as population, income, industrial mix and employment all affect restaurant sales. Two indicators that help illustrate the health of a region's economy are consumer confidence and unemployment.

Consumer confidence overview

The Conference Board's Consumer Confidence Index measures people's perceptions of current eco-

Percent change in regional economies (1990-1991)

Region	Population	Total employment	Manufacturing employment	Personal income*
New England	0.9%	1.5%	nc**	1.0%
Middle Atlantic	0.2	0.7	−1.3%	0.1
South Atlantic	1.5	2.1	0.9	1.9
East North Central	0.1	0.8	−0.8	0.4
East South Central	0.3	1.2	0.6	1.3
West North Central	0.6	1.2	0.6	1.0
West South Central	1.0	2.0	1.2	1.8
Mountain	2.0	2.7	2.7	2.6
Pacific	1.6	2.2	1.5	1.7
Total United States	**0.9%**	**1.6%**	**0.3%**	**1.2%**

**in real (inflation-adjusted) dollars*
***no change*
Sources: National Planning Association, *Regional Economic Projection Series;* National Restaurant Association

nomic conditions and their expectations of conditions in the next six months.

Specifically, households are asked whether they believe current business conditions are good, bad or normal and whether jobs are plentiful, not so plentiful or hard to get. The responses to these two questions make up what is dubbed the "present situation" index, as people evaluate the current state of the economy. To determine people's expectations—the second part of consumer confidence—households are asked if they believe that in the next six months business conditions will be better, worse or the same; whether there will be more jobs, fewer jobs or the same number of jobs; and whether their income will increase, decrease or remain the same. The overall Consumer Confidence Index is then derived from both of these assessments. Analysis of the data clearly indicates that there are substantial variations in consumer confidence around the country.

Consumer confidence declined in all but two census regions, when comparing the first 10 months of both 1989 and 1990. Only the West South Central and Mountain regions showed increases in overall confidence, and these increases were small—2.9 percent and 2.1 percent, respectively. Moreover, of the remaining seven regions, six showed double-digit declines in overall confidence. Consumer confidence in the seventh region—the West North Central states—was down by 7.4 percent. Four regions showed declines of more than 10 percent—Pacific (down 10.2 percent), East North Central (down 15.0 percent), East South Central (down 15.9 percent) and South Atlantic (down 16.6 percent), and two witnessed declines of more than 25 percent—Middle Atlantic (down 25.7 percent) and New England (down 56.6 percent).

It is important to examine each region individually to fully comprehend what is going on.

For example, when examining consumer confidence in the New England region, there has been a strong decline in both the "present situation" and "expectations" indexes, which may very well indicate that the region is in a recession. The region has been hit with a soft real-estate market and an increase in unemployment—both of which are likely to affect both the "present situation" and "expectations" indexes.

In contrast, the present situation index is lower in the West South Central region, but it has risen slightly from 1989. Moreover, the "expectations" index in the West South Central region is the highest among the nine census regions. This may indicate that the states in the West South Central region, which were in a recession, are in a recovery phase. In addition, the Persian Gulf crisis has increased demand for domestic petroleum products, some of which are produced in the West South Central region, and this may be part of the reason for the relatively high consumer expectations in the region.

Five of the seven remaining regions have "present situation" indexes above 100, indicating that the recessionary problems being felt in New England and the West South Central states have not yet reached these areas. However, this situation may not last, as the expectations indexes are well below 100 for three of those regions. Most notably, the Middle Atlantic and West North Central regions have expectations below 80. Softening real-estate values; increased commercial real-estate vacancies, particularly in the New York City area; financial-sector layoffs; and some expected decline in defense orders may be depressing expectations in the Middle Atlantic region. The West North Central region may be witnessing a cutback in orders for farm machinery as well as for defense-related purchases because of federal cutbacks.

If the Consumer Confidence Index is a good economic indicator, then the Pacific and South Atlantic regions appear to have the least likelihood of witnessing recessionary problems in the near future. Both regions have indexes well above the national level. This is not surprising as both regions have benefited not only from population growth but also from strong economic growth and tourism.

Shifts in regional unemployment

In October 1990 the national civilian unemployment rate reached 5.7 percent. However, unemployment rates varied throughout the country in response to differing local economic conditions. A look at regional unemployment rates for two comparable months in 1989 and 1990 highlights which regions have experienced substantial shifts.

The New England region witnessed the largest percentage-point increase in unemployment when comparing August 1989 and August 1990 data—up from 3.8 percent in 1989 to 5.7 percent in 1990. This shift is in line with the large decline in consumer confidence in the region. New England was not the only region to witness a rise in unemployment rates, however. Six of the remaining eight regions saw unemployment rates jump over the same period.

In contrast, the West South Central region, which recorded one of the largest gains in consumer confidence, showed the largest percentage-point decline

unemployment rates. The only other region to see a decline in unemployment was the Mountain region, which also showed a rise in consumer confidence.

Regional eating-place highlights

Population, total employment and real disposable personal income are expected to show gains in all nine census regions in 1991. Private manufacturing employment is expected to dip in the more industrialized northern regions of the country (New England, Middle Atlantic and East North Central) and grow in the southern and western regions.

There is considerable variation among the regions, however, and restaurateurs should note how their particular region is expected to fare. For example, the Middle Atlantic region is expected to post a 0.2 percent growth in population and a 0.1 percent rise in disposable personal income. In comparison, the South Atlantic region should see a higher 1.5 percent gain in population and a more dramatic 1.9 percent advance in disposable personal income.

Other highlights:

□ The **South Atlantic** region is forecast to post the largest eating-place-sales advance—6.8 percent, followed by the **West South Central** states—up 6.2 percent.

□ The **Middle Atlantic** region is projected to post the smallest advance in eating-place sales—4.5 percent.

□ The **Pacific** region should record the highest regional eating-place sales—$34.5 billion—just ahead of the **South Atlantic** states, which are projected to have sales of $33.2 billion.

□ **New Hampshire** should post the largest percentage increase in eating-place sales among the states, with a 7.7 percent projected rise. **Florida** is expected to show the second-highest growth—7.3 percent.

□ **California** will again lead the nation in eating-place sales—$26.1 billion. **New York** with $13.5 billion and **Texas** with $12.0 billion are expected to rank second and third.

New England

Outlook

□ In 1991, population in the region should grow in line with the national average, while employment and personal-income growth are forecast to be slightly below the national average.

□ Defense industries are expected to benefit from booked orders through 1991, but cutbacks in defense spending should continue to weaken the region's high-tech industries.

□ The region's financial and insurance sectors may see continued softness.

□ Speculative building of high-priced condominiums and houses, which glutted the market in the late 1980s should continue to depress real-estate values.

□ Massachusetts is expected to post the highest eating-place sales in the region ($6.1 billion), but New Hampshire should show the highest sales growth—7.7 percent.

Middle Atlantic

Outlook

□ The region's population, total employment and disposable income are projected to post gains at well below national levels in 1991.

□ The trade agreement with Canada is expected to help local businesses in upstate New York, and new service jobs in Pennsylvania should boost the region's employment picture.

□ A slowdown in defense-related orders may curtail growth in the region's high-technology industries, and the finance industries are expected to continue to contract, consolidate and relocate.

□ Despite virtually no growth in income, regional eating-place sales are projected to reach $26.5 billion in 1991—up 4.5 percent from 1990, with New York contributing $13.5 billion.

South Atlantic

Outlook

□ Strong tourism should continue to help the region's economy, despite rising fuel and transportation costs.

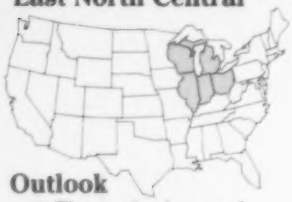
□ Advances in the region's population, employment, manufacturing employment and personal income should exceed national growth levels in 1991.

□ A downturn in defense orders may affect manufacturers in the region, and lower-cost imports may dampen prospects for the region's textile and apparel industries.

□ Service industries located around the region's major metropolitan areas should continue to grow, although at a slower pace than in the 1980s.

□ Regional eating-place sales should rise 6.8 percent to $33.2 billion, with Florida accounting for nearly one-third of regional sales.

East North Central



Outlook

□ The region's population, employment and income growth should lag behind national levels in 1991.

□ A weaker dollar abroad should continue to help manufacturers that produce goods for export.

□ Decreased consumer spending on durables may cause a downturn in the region's automobile and appliance industries.

□ Illinois is forecast to lead the region in eating-place sales with $8.1 billion, but Michigan should show the highest regional sales growth—5.1 percent.

□ Total eating place sales in the region are forecast to reach $27.8 billion—up 4.8 percent from 1990.

East South Central

Outlook

□ The region's population is expected to grow at below-national levels, but personal income growth should outpace national advances.

□ A boost in auto production in Tennessee and Kentucky should help the region's manufacturing sector, as will expansion of high-tech facilities in Alabama.

□ Expansion is expected in the region's durable-goods industries, including machinery, metals and transportation equipment, as well as in the region's paper industry.

□ The service sector is projected to expand in the region, as states look to diversify their economies.

Percent change in state and regional economic indicators: 1990-1991

	State	Population	Total employment	Manufacturing employment	Real disposable personal income	Eating-place sales ($000) 1990	Eating-place sales ($000) 1991	Eating-place sales ($000) Percent change
New England	Connecticut	0.7%	1.4%	−0.6%	0.4%	$ 2,646,776	$ 2,773,821	4.8%
	Maine	1.3	1.8	0.2	1.8	904,238	953,067	5.4
	Massachusetts	0.7	1.3	−0.2	0.8	5,795,194	6,079,158	4.9
	New Hampshire	2.3	2.8	1.4	2.9	997,753	1,074,580	7.7
	Rhode Island	0.6	1.1	−0.2	0.9	791,722	832,100	5.1
	Vermont	1.4	1.9	1.5	2.1	463,828	496,760	7.1
	Total region	**0.9%**	**1.5%**	**nc***	**1.0%**	**$11,599,511**	**$12,209,486**	**5.3%**
Middle Atlantic	New Jersey	0.4%	1.4%	−1.3%	0.3%	$ 5,177,547	$ 5,436,424	5.0%
	New York	0.1	0.5	−1.3	nc*	12,911,895	13,455,842	4.2
	Pennsylvania	0.1	0.6	−1.4	0.2	7,240,591	7,588,139	4.8
	Total region	**0.2%**	**0.7%**	**−1.3%**	**0.1%**	**$25,330,033**	**$26,480,405**	**4.5%**
South Atlantic	Delaware	0.6%	0.9%	−0.7%	0.7%	$ 498,189	$ 526,088	5.6%
	District of Columbia	0.2	0.1	−1.3	−0.8	948,513	995,939	5.0
	Florida	2.5	3.0	2.5	2.6	9,976,500	10,705,893	7.3
	Georgia	1.4	2.1	1.0	2.1	4,462,091	4,774,437	7.0
	Maryland	0.9	1.6	−1.0	1.0	3,375,066	3,564,070	5.6
	North Carolina	1.2	1.7	0.8	1.9	4,282,243	4,582,000	7.0
	South Carolina	1.3	1.8	0.5	2.1	2,218,340	2,375,842	7.1
	Virginia	1.4	2.2	0.9	1.7	4,429,808	4,731,035	6.8
	West Virginia	−0.7	0.5	−1.4	0.2	892,418	929,900	4.2
	Total region	**1.5%**	**2.1%**	**0.9%**	**1.9%**	**$31,083,168**	**$33,185,204**	**6.8%**
East North Central	Illinois	nc*	0.7%	−1.7%	0.2%	$ 7,731,427	$ 8,079,341	4.5%
	Indiana	0.2	0.9	−0.6	0.7	3,490,212	3,657,742	4.8
	Michigan	nc*	0.9	−0.6	0.2	5,847,320	6,145,533	5.1
	Ohio	0.1	0.7	−1.1	0.3	6,483,041	6,781,261	4.6
	Wisconsin	0.7	1.2	0.4	1.1	2,947,765	3,095,153	5.0
	Total region	**0.1%**	**0.8%**	**−0.8%**	**0.4%**	**$26,499,765**	**$27,759,030**	**4.8%**
East South Central	Alabama	0.3%	1.2%	1.0%	1.3%	$ 2,173,052	$ 2,305,608	6.1%
	Kentucky	0.3	1.1	0.2	1.1	2,173,327	2,292,860	5.5
	Mississippi	nc*	0.8	0.9	1.4	1,049,038	1,107,784	5.6
	Tennessee	0.6	1.4	0.2	1.5	2,816,453	2,996,706	6.4
	Total region	**0.3%**	**1.2%**	**0.6%**	**1.3%**	**$ 8,211,870**	**$ 8,702,958**	**6.0%**
West North Central	Iowa	0.1%	0.6%	−0.3%	0.5%	$ 1,448 197	$ 1,510,469	4.3%
	Kansas	0.6%	1.3	1.3	1.1	1,515,494	1,595,816	5.3
	Minnesota	1.1	1.7	1.2	1.5	2,884,127	3,054,290	5.9
	Missouri	0.5	1.2	−0.1	0.9	3,338,265	3,528,546	5.7
	Nebraska	0.3	0.9	0.6	0.8	937,329	983,258	4.9
	North Dakota	0.5	1.2	2.5	1.1	357,393	375,977	5.2
	South Dakota	0.3	0.9	2.8	1.0	350,813	368,354	5.0
	Total region	**0.6%**	**1.2%**	**0.6%**	**1.0%**	**$10,831,618**	**$11,416,710**	**5.4%**
West South Central	Arkansas	0.5%	1.5%	1.3%	1.6%	$ 1,166,794	$ 1,240,302	6.3%
	Louisiana	−0.3	1.3	−0.1	0.8	2,496,925	2,616,777	4.8
	Oklahoma	0.8	1.5	1.1	1.4	2,003,873	2,120,098	5.8
	Texas	1.4	2.3	1.5	2.1	11,293,402	12,038,766	6.6
	Total region	**1.0%**	**2.0%**	**1.2%**	**1.8%**	**$16,960,994**	**$18,015,943**	**6.2%**
Mountain	Arizona	2.6%	3.2%	3.2%	2.9%	$ 2,322,868	$ 2,487,792	7.1%
	Colorado	2.0	2.8	2.5	2.5	2,485,500	2,612,260	5.1
	Idaho	1.2	1.8	1.8	2.0	481,593	505,191	4.9
	Montana	0.6	1.4	nc*	1.2	435,531	452,952	4.0
	Nevada	2.9	3.4	3.1	3.1	771,311	816,818	5.9
	New Mexico	1.4	2.5	3.0	2.2	952,259	1,009,394	6.0
	Utah	2.2	2.7	3.0	2.9	879,395	933,917	6.2
	Wyoming	1.6	2.0	1.1	2.2	283,516	295,140	4.1
	Total region	**2.0%**	**2.7%**	**2.7%**	**2.6%**	**$ 8,611,973**	**$ 9,113,464**	**5.8%**
Pacific	Alaska	1.5%	2.8%	3.1%	1.8%	$ 524,270	$ 553,105	5.5%
	California	1.7	2.3	1.6	1.7	24,726,818	26,111,520	5.6
	Hawaii	1.4	1.9	−0.2	1.5	1,686,872	1,803,266	6.9
	Oregon	1.3	1.9	0.9	1.7	2,075,946	2,185,971	5.3
	Washington	1.6	2.2	1.4	1.8	3,664,355	3,869,559	5.6
	Total region	**1.8%**	**2.2%**	**1.5%**	**1.7%**	**$32,678,261**	**$34,523,421**	**5.6%**

** no change*

Source: National Planning Association, *Regional Economic Projections Series;* National Restaurant Association

□ Regional eating-place sales are forecast to total $8.7 billion—up 6.0 percent over 1990. Tennessee should have both the highest eating-place sales ($3.0 billion) and the largest sales growth (6.4 percent).

West North Central

Outlook

□ In 1991, population, employment and disposable income in the region are expected to grow at a slightly lower pace than for the nation as a whole.

□ The region's low population growth may dampen increases in service-sector jobs, but relatively low wages should continue to attract financial and insurance-processing firms.

□ A decrease in farm subsidies may offset market-price increases for the area's agricultural products.

□ Cutbacks in defense spending may dampen increases in the region's manufacturing employment.

□ Eating-place sales in the region are forecast to reach $11.4 billion in 1991—a 5.4 percent increase.

□ Missouri should post the highest eating-place sales ($3.5 billion), and Minnesota should post the largest sales growth (5.9 percent).

West South Central

Outlook

□ Higher oil prices and demand for domestic supplies should help the region recover from the oil-price collapse of the late 1980s.

□ Population, total employment, manufacturing employment and personal income in the region are expected to grow faster than nationwide averages.

□ A gradual recovery of the housing market is expected to help the region's real-estate market.

□ Consolidation of the region's financial institutions is expected to continue, and the overall outlook for the business-services sector is expected to improve.

□ Recovery in the area's economy is expected to help eating-place sales, which are forecast to reach $18.0 billion in 1991. Texas alone should contribute $12.0 billion.

Mountain

Outlook

□ In 1991, the region's growth in population, total employment, manufacturing employment and personal income is expected to be higher than in any other region of the country.

□ A slightly higher demand for minerals is expected to fuel some of the region's mining industries.

□ Defense cutbacks and a softening demand for high-tech goods are likely to affect many manufacturers in the region adversely, but higher oil prices should stimulate the region's energy industries.

□ Construction advances are expected in Colorado, but declines are anticipated in Arizona.

□ The region's eating-place sales are forecast to rise 5.8 percent to $9.1 billion in 1991.

□ Arizona should post the highest increase in eating-place sales in the region—7.1 percent.

Pacific

Outlook

□ The region's population, total employment, manufacturing employment and personal income are all expected to grow at above-national levels in 1991.

□ Foreign trade has continued to boost export business out of busy port cities on the Pacific.

□ Growing demand is likely to continue to increase service-sector employment.

□ Defense cutbacks are expected to hurt related industries, particularly in Southern California.

□ Declines in construction have affected the region's real-estate, lumber, stone, clay and glass industries.

□ Positive growth in the region's entertainment and tourism industries is expected to continue.

□ Eating-place sales in the region should top $34.5 billion in 1991—up 5.6 percent over 1990.

□ California should lead the region and the nation in eating-place sales ($26.1 billion). Regional sales growth is forecast to be highest in Hawaii (up 6.9 percent).

How the regional forecast was prepared

The economic sales data for the states have been arranged according to the nine census regions. Included with each state are revised eating-place sales for 1990, projected 1991 sales figures and information on personal income, employment and population data. Much of the economic data in this report is based on information obtained from such sources as the Bureau of Economic Analysis, the Bureau of Labor Statistics, the National Planning Association and the U.S. Chamber of Commerce.

The estimates for eating-place sales used here were prepared in consultation with the research firm Malcolm Knapp, Inc. State-by-state historical eating-place sales in 1972, 1977, 1982 and 1987 form the basis for these projections. Special attention was paid to growth trends between 1982 and 1987 for each state's refreshment places (fast food) and restaurants and lunchrooms. Sales figures were then adjusted to reflect current and projected income and population data.

A few reminders

□ Sales projections for 1991 are based on the best available data in late September and early October 1990. If the outlook for general economic conditions or the food situation changes significantly in 1991, these projections will require adjustments.

□ Adjustments were made to arrive at a predetermined U.S. total.

□ Sales figures for each state are subject to a larger margin of error than are the national projections.

□ Actual sales figures represent an overall allocation of total sales in the United States. Although percent changes are subject to more variation, they have been shown here as a convenience to *1991 Fore-* readers.

□ The sales information for states and regions is for all establishments. Figures represent the U.S. Census definition of eating places (SIC Code 5812) and include the sales for operations with payroll and without payroll as well as for contract feeders. As a result, the sales figures for states and regions will not equal the total for eating places. Regional projections were not done separately; and as a result, regional totals are sums of state data.

1990 UPDATE

The National Restaurant Association's revised 1990 foodservice forecast reflects total sales that are $5.5 billion below the association's original forecast of December 1989. The majority of this downward revision—$3 billion—is based on new benchmark sales figures for the retail-host sector from the *1987 Census of Retail Trade Merchandise Line Report* released in June 1990. The remainder of the change reflects lower sales as a result of consumer concern about the state of the economy.

Although industry sales projections were on target through the first half of 1990, gasoline price hikes (fueled by the crisis in the Persian Gulf), a large debt burden, tightening credit and higher unemployment rates led to less discretionary income for consumers in the second half of 1990.

Restaurants and lunchrooms, the largest eating-place segment in terms of sales, posted sales of $75.9 billion in 1990. Although this represents a 4.4 percent advance, sales actually declined 0.4 percent in inflation-adjusted dollars. This decrease reflects continued weak performance among higher-check establishments, as consumers became increasingly more value driven and price conscious. In addition, alcoholic-beverage sales continued to be sluggish because of social and legislative pressures.

Sales at limited-menu (fast food) restaurants were $69.8 billion, a 6.1 percent advance, with real growth for the segment at 1.3 percent over 1989. The Iraqi invasion of Kuwait and the recent economic downturn combined to lower fast food sales, primarily because these events occurred during a peak tourism period, when business is normally brisk. Moreover, consumer resistance to pricing in terms of value received contributed to lower sales growth in fast food restaurants.

Commercial-cafeteria sales experienced no real growth between 1989 and 1990. Projected sales were $4.4 billion, reflecting an increase in current dollars of 4.8 percent. Cafeterias are frequented by older consumers, who responded more negatively than the general public to the nation's economic uncertainty.

Social caterers recorded the highest real growth among eating places—up 2.6 percent over 1989 to exceed $2.2 billion. Growth in current dollars was 7.4 percent. Continued emphasis on social occasions, such as weddings, as well as greater efforts by businesses to promote their products and services contributed to this segment's growth.

Ice cream and frozen-custard stands posted the largest real sales decline among eating places in 1990—down 2.3 percent to $2 billion. Unit expansion slowed. The product was also offered and heavily promoted by fast food operators. The result was a shift in consumer purchases of these highly focused offerings to other foodservice operations.

—Elizabeth Gordon
—Nancy Michalski
—Susan Mills
—Hudson Riehle
—Diane Welland

Foodservice industry food and drink sales 1989–1990

	($000)		Percent change	
	1989	1990	Current dollars	Constant dollars
Commercial Foodservice Group	$198,362,280	$208,398,009	5.0%	0.2%
Eating places	146,716,194	154,345,436	5.2	0.4
☐ Restaurants and lunchrooms	72,726,986	75,926,973	4.4	−0.4
☐ Limited-menu (fast food) restaurants, refreshment places	65,774,810	69,800,512	6.1	1.3
☐ Commercial cafeterias	4,174,076	4,374,432	4.8	0.0
☐ Social caterers	2,085,494	2,239,820	7.4	2.6
☐ Ice cream, frozen-custard stands	1,954,828	2,003,699	2.5	−2.3
Bars and taverns	8,952,440	8,773,391	−2.0	−7.3
Total eating and drinking places	155,668,634	163,118,827	4.8	0.0
Institutional Foodservice Group	24,900,720	26,345,544	5.8	0.8
Military Foodservice Group	1,030,855	1,036,680	0.6	−4.2
Total industry sales	**$224,293,855**	**$235,780,233**	**5.1**	**0.3**

How the 1991 forecast was prepared

The National Restaurant Association's projections for 1991, revised projections for 1990 and final estimates for 1988 are published here. Comparable historical data encompassing the period from 1970 through 1987 have been published in *Foodservice Numbers* and *Year in Review*.

The association's annual industry forecast for 1991 includes both nominal and real percentage changes in sales for all industry sectors. Real growth is calculated separately for each market segment. In the case of eating places, the projected percentage increase in menu prices is subtracted from the percentage increase in sales. For drinking places, it is necessary to make a special estimate of the inflation factor, which is weighted more heavily toward alcoholic beverages.

For other industry sectors, such as colleges and universities, where expenses are largely determined by food costs, a modification of the Producer Price Index of food is used. Modifications to this index are based on historic patterns for each industry sector. The food-cost component constitutes the base percentage increase, which is adjusted to reflect population changes and other pertinent factors such as labor and overhead costs.

To arrive at 1991 real (inflation-adjusted) sales figures for the total foodservice industry as well as for the Commercial and Institutional Foodservice Groups, revised 1990 sales were multiplied by the respective 1991 real growth factors. The real sales figures for each of these sectors were added and compared with 1990 sales to obtain real growth for the industry and the two major segments.

A word of caution

Sales projections are based on the best data available in late September and early October 1990. If the outlook for general economic conditions or the food situation changes significantly in the coming year, these projections will require adjustment. In addition, the performance of individual companies or sales in local market areas may differ substantially from the United States outlook.

ADVERTISING ON MENUS

YES OR NO

by Carolyn Crowley

In a real break with tradition, some restaurateurs are placing ads on their menus. Others decry the practice. Here are some views for and against.

YES

"Advertising is cost effective and helps pay for my menus," says Jim Redeau, owner/manager of Tracy's Restaurant in Great Falls, Montana, a 24-hour restaurant that is on the Missouri River and serves 300 people a day. The restaurant's six-page foldout menu with its 200 selections is one of the largest in the Northwest, and it is one that accepts advertising. Twenty-three advertisers pay $40 to $50 a year for the ads that appear on the menu's last two bright red pages in commencement-brochure style—businesses like Dahl's, a hair salon for men and women; Collector's Corner, with antiques and furniture collectibles, "four doors down from Tracy's"; and Gomer's Diesel & Electric, Inc., "Serving Montana for 50 years."

"I wouldn't put an ad in my menu for someone I wouldn't recommend. I have to check the people out and shake the owner's hand," Redeau says. He has direct experience with all the advertisers because he does business with each one. "It's a good way to talk with your purveyors," he says. A customer may point to the Gomer's ad and ask Redeau if "this is a good place to get my car fixed. I say, 'Yes, because I take my car there.' "

For 25 of the restaurant's 38 years, the menu has carried advertising. It started when an ad man from Minnesota came to Montana "and sold my father advertising. He later sent 400 menus and kept the profit," Redeau remembers. "Now I print 50 menus, laminate them and they last one year. I sell advertising—it takes a month—and I keep the profit. How much? If you tell everyone your business, you have none. The printing and laminating cost $200."

Redeau has more takers than space and finds he must turn down at least a dozen advertisers. He doesn't mind because he likes to be selective. "There are some businesses I don't want in my menu," he says.

He says he's "surprised" more restaurants aren't accepting advertising for their menus because "it's not that hard to do."

Canada's first organization producing menu advertising is Toronto's Kalen Group, which publishes "Mr. Greenjeans' Great Adventure," a Canadian adventure-travel "passport." The "passport" is much more than an introduction to the menu; it is filled with so much trivia and adventure pointers that customers often buy it for C$1.50. All proceeds go to the Children's Wish Foundation.

Although the menu itself is a break with tradition, it is very much in keeping with the mood of the restaurant. Mr. Greenjeans, which seats 400, is one of Canada's largest full-service restaurants, serving 800,000 people a year. It is divided into six adventure-travel areas—hot-air ballooning, bicycling through Europe, a South American rain forest, white-water rafting, rock climbing and hiking. A multi-screen mock-up of an airport departure area greets customers, giving them the idea they're leaving on an adventure when they enter the restaurant.

"Our subtle advertising is meant to

Launched in March 1990, this newest advertising/ menu collaboration is a general-interest magazine targeted to the affluent "untouched market" of single, divorced and widowed people in the United States who like to eat in restaurants but feel uncomfortable dining alone.

defray the cost of the menu [C$100,000], not to make money. All the tightly controlled ads [nearly two dozen] are related to adventure. We are trying to create an interesting, informative and entertaining document," says Maury Kalen, editor.

"We think of our advertisers as sponsors," he adds. "We feature their products." For example, servers wear Roots clothes. Roots is a Canadian clothing store specializing in leather. It has a full-page, two-color ad in Mr. Greenjeans' menu.

In the "adventure passport," the ads, travel trivia and menu are interspersed playbill style. "All the food is on the right-hand pages, so ordering is not difficult," Kalen says. The center spread, a monthly array of when and where to visit the world's greatest resorts, is the placemat. On the bottom of most pages are international pithy thoughts, such as "In Spain, 'embarrassed' means you are pregnant" and "Waving at someone in Greece is a serious insult."

In addition, there are columns filled with trivia. The "FYI" column announces that the most expensive hotel suite is Spain's $3,000-a-day Marbella Dinamar Hotel, which requires a minimum three-month stay. The "Kidding Around" column challenges the reader to try three activities, including attempting the world's most difficult tongue twister, "Unique New York . . . Bet you can't say it three times quickly."

Kalen notes that it took one year to "put the menu in place. There aren't many people who have the talent, money and commitment to make menus like ours. Customer response has been overwhelmingly positive," he adds. "Not one person has said, 'Why do I need this advertising?' or considered it commercial."

Perhaps the newest advertising/ menu collaboration is the menu magazine, such as the 30-page bimonthly *Knife & Fork*, offered by restaurant franchiser The Riese Organization and publisher Performance Network, Inc., in Lindenhurst, New York. Since it first appeared in March 1990 in 65 Manhattan restaurants, its circulation has shot to 1.2 million. It combines the glitter of a four-color glossy, upscale magazine with feature stories and consumer product and service advertisements. A restaurant menu is bound into its center spread.

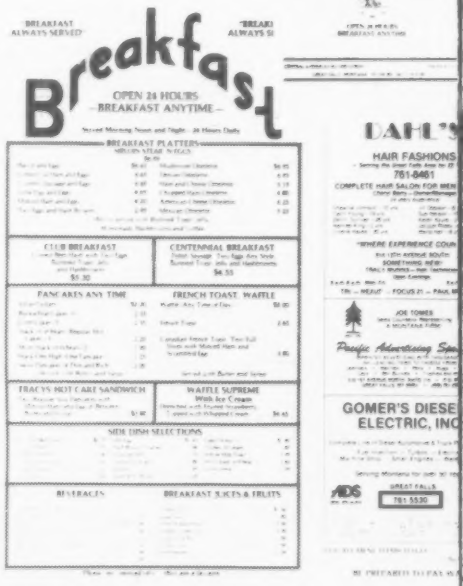
The menu took "well over seven figures" and 18 months of planning to get started, notes Richard Neste, publisher. *Knife & Fork* runs cigarette, beer, car, bank, Coca-Cola and Sony ads, among others—all targeted to young consumers who average 29 years of age and earn about $53,000 a year. Editor Lee Barstow notes that 87 percent of the "upscale sophisticated" readers are college educated and 61 percent own one or two cars and 12 percent own three cars.

The editorial content of *Knife & Fork* features general lifestyle articles, such as looking for love in personal ads, secrets of doodles and the anatomy of a plane crash. There are also regular departments that offer personality profiles, clothing advice and puzzles and games. "We have a little bit of everything, including tidbits of information, such as how hot dogs are made, and whether blue or brown eyes attract more members of the opposite sex (blue do, two to one)," says Neste.

The reason the magazine began and is now successful is the "untouched market" of single, divorced and widowed people in the United States who like to eat in restaurants but feel uncomfortable dining alone. The menu magazine gives them "a true memento of the occasion," Neste says.

While other magazines must raise their prices partly due to rising postal rates ("They're going up 23 to 25 percent this year alone," Neste moans), *Knife & Fork* doesn't have to consider Postal Service financial actions, because it distributes directly to restaurants, including Houlihan's, Lindy's, El Torito, Tequila Willie's, Ground

Two pages of Tracy's six-page fold-out menu are devoted to ads from local purveyors. The ads are so popular that owner Jim Redeau must turn down some potential advertisers.



In Canada, the Kalen Group has created "Mr. Greenjeans' Great Adventure," an adventure-travel "passport" that intersperses ads and travel trivia with the menu. Customers often buy the passport to take home.

Round, Beefsteak Charlie's and Toot Shor's. Its cover price is $2.25, but it is distributed free to restaurant diners. A year's subscription costs $9.95.

"My aim is to make the magazine compelling enough so that people will want to take it with them," Barstow says.

Advertisers who have made long-term commitments to *Knife & Fork* include Coca-Cola, National Westminster Bank, Campbell Soup, Schieffelin & Somerset and Philip Morris.

NO

Not everyone likes the idea of menu advertising. "Someone would pay us to advertise?" marvels Steve Sawitz, a member of the family that for four generations has owned and operated Joe's Stone Crabs in Miami. During the months it's open (October to May), this 400-seat restaurant sells 250 tons of crabs.

"I don't like it. It's greedy," he adds. "It would be like advertising on the Statue of Liberty, Air Force One or the Washington Monument. They're symbols of the United States. Our menu is pure, a symbol of our restaurant. Advertising would take away from the sanctity of our menu."

Word of mouth, "a truthful approach," is the best advertising, he believes. Joe's Stone Crabs advertises in *The Miami Herald* and a couple of local magazines, including several that tourists find in their hotel rooms.

Also opposed to menu advertising is Richard McDaniel, the restaurant's crab inspector. "It's insulting to customers, who are already inundated with advertising on TV, radio, magazines and billboards. What would an advertisement mean to our customers anyway? Our purveyance is food and not cars, TVs or whatever they're selling with advertising," he says.

Paul Saginaw, one of the four owners of Zingerman's Delicatessen in Ann Arbor, Michigan, a $4-million-a-year business that specializes in jams, cheeses, and cured meat and fish, shares this sentiment: "I hope my business is never in such a desperate state that I have to prostitute my menu," he says. "We use some menu space to promote our products. Why do I want to sell someone else's products I have no control over? Don't I think enough of my products to sell only them?"

Rob Cagle, a manager at Brennan's of Houston, doesn't ever want to see menu advertising in his restaurant. "I want customers to be solely concentrating on what I'm trying to sell them."

Eateries shouldn't be "commercialized," says Tony Vallone, owner of Tony's Restaurant in Houston, which features an "innovative European menu." "Restaurants should show personal touches and the warmth and creativity of the restaurateur. In a restaurant you should feel as if you're in someone's living or dining room."

MAYBE

Jonathan Evans, manager of Boston's Jacob Wirth Restaurant, which has been at the same location since 1886, doesn't have advertising on his menus but likes the idea. He's noticed that advertising has "gotten to the level where even churches accept it"—even his own church's bulletin. "I don't find it offensive. It's not a sensitive issue now because everyone's advertising. It's the only way to get by," he muses.

Evans can imagine a menu based on tourism with ads from a trolley car company that does local tours, from scenic walking tours, from the John Hancock Tour ("Take the elevator to the top to see all of Boston"), from the Museum of Fine Arts and from the Visitors Information Center.

His advertisers would have to meet some criteria, he emphasizes. "We don't want a local strip club. We want taste. We're a German-American restaurant, so maybe we would have a Lufthansa ad to add a German theme or advertising from a local business."

Evans says he sees definite advantages to the practice. "With advertising I could get an outside printer to produce a menu with color on better paper. Now I run it off on a laser printer. I'll look into this. I would like to have someone approach me with an advertising package." ❑

Carolyn Crowley is a freelance writer in Washington DC.

HAS DISTRIBUTOR LED TO BETT

by Paul Moomaw

Maybe you've noticed that your foodservice distributor is offering more items at more-competitive prices, or perhaps you're receiving fewer deliveries and less personal service. Whatever your experience, chalk up these changes to corporate consolidation.

"The consolidation of distributors has been the news for the last several years," says Jim Cremins, president, chief executive officer and part-owner of Carmine Foods in Richmond, Virginia. Changes in foodservice distribution in recent years have been based on the premise that for purposes of distribution, bigger is better.

Distributors of the past were often local warehousers who offered foodservice customers frequent deliveries and personal service. The proliferation of restaurant chains and multi-unit operators in the 1970s and 1980s, however, has made many distributors adopt new strategies aimed at servicing these large accounts, including combining warehouse operations in overlapping geographic areas and streamlining warehouse efficiency through computerization.

Customer relations have also changed. Program selling, for instance—the practice of forming a buying contract between operator and distributor—has taken distribution from a hands-on, retail-type transaction to a sophisticated, commodity-like transaction, as if two Chicago futures traders were hedging their bets on food prices. Program selling seems tailormade both for the sophisticated distributor, who can plan for large orders and a limited number of deliveries in advance, and for multi-unit operations, whose buyers can negotiate price ranges.

This industry consolidation has resulted in three tiers of distributors—(1) national distributors whose annual sales run into the billions of dollars, (2) large regional distributors and (3) small independent distributors, with annual sales of less than $50 million.

"The result of the consolidation," says Cremins, "is that all but the largest players are eliminated from the national account." Instead, he says, most chains opt for a nationwide distributor with greater buying power.

Where does this leave the small operator, who is concerned with on-time delivery, fair pricing and responsive service?

The trickle-down effect

Theoretically, the benefits of increased efficiencies that larger distributors offer trickle down to operators in the form of competitive prices and the offering of a wider selection of items. With high sales volume, the reasoning goes, larger distributors can operate at lower margins. In addition, a large distributor can carry more items in stock, which can be a convenience to customers. But service can sometimes change.

Typical of the move toward consolidation is Food Services of America (FSA), a large regional distributor headquartered in Kent, Washington. FSA was formed in a 1986 buyout and merger, and it has become a large player engaged in an "aggressive" growth strategy, according to Tom Staley, vice president and general manager of the Missoula, Montana, distribution branch of FSA. Staley has positive feelings about the company's growth. "We can offer better, more efficient service," he says. The strategy is working at the Missoula branch, with sales skyrocketing over those of a year ago.

But as part of its consolidation strategy, FSA recently closed its Great Falls warehouse, and now it services customers in Great Falls from its Missoula warehouse, about 180 miles west, across the Continental Divide. Not all customers are pleased with this move. Diane Guy, president and general manager of El Comedor Mexican restaurant in Great Falls, notes that deliveries that once arrived by 7 or 8 a.m., now come in at 10 or 11 a.m. In fact, she says the decreased convenience has led her to transfer some orders to another distributor. In the harsh Montana winter that makes some mountain roads hard to travel, Guy's uncertainty increases even more. "In the winter, you never know when you'll get your delivery," she says.

Staley admits there can be hard feelings when a distributor closes a warehouse in a town. "You can't always consolidate as smoothly as you'd like," notes Staley. "Sometimes there's some ill will." FSA has tried to

Cooperative buying

Cooperative buying occurs when a group of operators join together to purchase products. The operators benefit from quantity-discount prices as the result of bulk buying. An advantage of cooperative buying is that standardized quality as well as lower prices should result because of the group's volume purchasing. Also, individual group members may have to spend less time with supplier sales representatives, and thus they have more time for other day-to-day operations.

Cooperative buying has some disadvantages, because the purchasing decision is usually turned over to a committee. Committees are notorious for slowing down any process and sometimes find a decision consensus difficult. Further, individual members of the group may lose some control over supplier selection, loyalty, product variety and product quality because that task must be delegated to the committee.

Where cooperative purchasing is used,

CONSOLIDATION

ER SERVICE?

get around the problem by keeping the local sales force intact, so that customers continue to do business with the same sales people.

Consolidation can help

Although the local moves made by FSA have not proved advantageous to El Comedor's Diane Guy, another consolidation by a long-time distributor has proven to be beneficial to her business. When Continental Keil was purchased by the Sysco organization, Guy reports, she "found high-quality Mexican-food products that weren't available here before, such as flour tortilla mix. When Sysco had its food show, I talked to the representatives about Mexican-food items, and they actually knew what I was talking about.

"Price isn't my total driving factor," adds Guy. "Service is very important. It pays to shop around, but it's also important to build up some loyalties." Guy uses about a dozen distributors.

members have to agree on the quality of standards and specifications for required products so that advantage can be taken of volume purchasing of identical products. This task is time-consuming because, without agreement, the method cannot succeed. Compromise by some participants in the cooperative is often required.

Note that cooperative buying does not require that all products for all participants be purchased through the cooperative. Participants should be free to purchase some products independently (particularly those unique to their operation), although this flexibility does decrease the ability of the cooperative to negotiate lower prices on all products.

Finally, a cooperative buying arrangement should be established and operated under the guidance of legal counsel to ensure that federal and state antitrust laws are not violated.

—from *Hospitality Industry Purchasing* by Michael Coltman (1990) by Van Nostrand Reinhold. Reprinted by permission. "All Rights Reserved."

A matter of service

With margins being squeezed and the focus of distributors leaning toward high volume, John Heim, general manager of Bunzl Distribution in Tempe, Arizona, [which closed in October] fears for the livelihood of the mom-and-pop distributor. And he thinks restaurateurs should do something about it: patronize small distributors and the level of service they offer, because "to a large distribution company, the small operator's business is not significant."

Heim believes the small, local distributor should be patronized if only to offer an alternative to the behemoths.

What can a smaller distributor offer that a large one cannot? "We can respond better and quicker to our customers," says Cremins of Carmine Foods, which covers primarily the state of Virginia. "It's the art of nichemanship, and we fit in with the independent operator. It's easier to build a relationship with a mom-and-pop."

In most cases Heim admits that the local distributor providing personal service has to charge a bit more, but the service an independent restaurant receives is worth it. "With a small mom-and-pop distributor the communication process is better," says Heim. "You can call and get the owner on the phone in two seconds if you've got a problem. In a large, bureaucratic organization, the communication layers limit your ability to take care of a problem."

As owner and operator of Jay's Fish & Chips in Santa Maria, California, for 20 years, John Yurasek enjoys the trustful relationships and rapid response that small, family-operated distributors can provide. "I've been dealing with the same seafood supplier for 18 years, and I don't think the big people can compete with him on price."

Yurasek is a big believer in the building of a trusting relationship with his distributors. Yurasek keeps his distributors happy by having payment checks ready at delivery time. "Let's put it this way," says Yurasek of the personal relationships he has built with family-run distributors, "I've never filled out a credit reference."

Striking a balance

Meanwhile, Rocco Muriale, owner/operator of Muriale's in Fairmont, West Virginia, has found a successful balance by employing a limited number of distributors, including both small, local purveyors and one large, broad-line distributor. For produce and meat, Muriale patronizes local distributors with whom he has had long-time relationships. In fact, one of his distributors is run by the son of a purveyor who serviced the restaurant when it was still run by Muriale's father.

At the same time, Muriale relies on the Pittsburgh branch of the national distributor Rykoff-Sexton because he likes "the quality products they sell, and they always have a quality salesperson." Muriale believes in building a relationship with distributors, no matter what their size, and sticking with them. "I like to keep a small, tight-knit group of purveyors," says Muriale, who doesn't like to see many salespeople in the course of a day. "I would rather give one person $100,000 of business than 10 distributors $10,000 each." It gives more control and better pricing leverage.

What the future may bring

Bunzl's Heim is convinced that consolidation will continue, but he sees a place for small, niche distributors specializing in a particular line of products, such as paper or fish. These will be the small players that will sell to independent restaurants that have trouble meeting the minimum order requirements of the large distributors.

Paul Moomaw is a communications specialist at the National Restaurant Association.

by Leslie Pietrzyk

TIRAMISU

Italian food is usually perceived as a cuisine of pounds: lusciously thick cream sauces, towering mounds of pasta, dense lush layers of lasagna and delectable slabs of veal. Even the coffee is crowned with whipped cream. Could there possibly be room for dessert after a meal of such proportions?

More and more restaurant operators are finding that yes, there's always room for *tiramisu* (teer-a-me-su), a traditional northern Italian dessert that's making American diners reach for the dessert menu.

The word is loosely translated as "pick-me-up," and the mystery is which of the uplifting classic ingredients gave the dish its name: The espresso? The liqueur? Or the way the silky-smooth custard layers the ladyfingers?

"Tiramisu is a great dessert. It's a *semifreddo*—half cake, half ice cream," explains Andrea Bullo, the manager of Los Angeles' Chianti and Chianti Cucina—the former a 60-seat formal Italian restaurant, and the latter a more informal 40-seat trattoria. "Semifreddo" refers to Italian desserts that are based on a chilled, uncooked custard, usually a combination of cream or cheese and eggs. According to Bullo, a classic tiramisu is composed of ladyfingers dipped in espresso with mascarpone cheese and dusted with cocoa powder.

A big seller

All across the country, more and more restaurant-goers are becoming acquainted with this newly discovered Italian favorite. "Tiramisu is our biggest seller," comments Karen Shannon, co-owner of Petitto's Ristorante d'Italia, a northern Italian-style pasta restaurant and sidewalk cafe in Washington DC. She and her partner, dessert chef Ed Kaufman, recently opened Dolce Finale, a below-street-level restaurant that serves more than 20 Italian desserts. Tiramisu is sold at both locations.

Shannon speculates that some of the dish's current popularity can be explained by the fact that "it's not a weighty dessert." Although Petitto's has offered tiramisu on an occasional basis for the past three years, its recent surge in popularity has led Kaufman and Shannon to offer it regularly. Kaufman estimates that on an average Saturday he goes through 30 servings. There is even one customer who telephones prior to his arrival to make sure there will be enough tiramisu for his entire party.

Shannon points to the growing number of northern Italian restaurants as one possible explanation for the wave of interest in tiramisu: "Over the years, most Italian desserts came from southern Italy. As northern Italian cooking becomes more known, so will the desserts."

Jasper J. Mirabile, Jr., owns the 175-seat Jasper's and the newly opened 185-seat Trattoria Marco Polo that serve northern Italian cuisine in Kansas City, Missouri. Mirabile estimates that he sells 200 portions of tiramisu during an average week. "It outsells cheesecake, which used to be our biggest seller. Now for every cheesecake, I sell three tiramisu," he says.

Popular for carryout

The interest in tiramisu extends to carryout. "Our regular customers order it for takeout," Bullo says, "and we don't advertise, which says something about its popularity." The two Chianti restaurants serve 500 portions during an average week.

There doesn't seem to be a profile of the type of patron most likely to order tiramisu, although women may have the edge. "More women eat it,"

misu is not a Chinese general; it's an Italian dessert that came to the forefront in 1990.

TIRAMISU

Serves 8 to 10

Ingredients:
6 egg yolks
1¼ cups sugar
1¼ cups mascarpone cheese
1¾ cups whipping cream whipped to form soft peaks
1¾ cups cold espresso coffee
4 Tbs. brandy
48 ladyfingers
Powdered unsweetened chocolate, for topping

Method:
Cream yolks and sugar until smooth. Add mascarpone and mix on low speed 2 minutes. Fold in whipped cream and reserve.

Combine coffee and brandy in medium bowl. Dip 15 ladyfingers, one by one, into espresso mixture and arrange in single layer on 10-by-15-inch platter (or 10-by-15-inch baking sheet covered with foil), forming rectangle about 7 by 13 inches.

Cover with half the mascarpone/cream mixture. Repeat layers with 15 more ladyfingers dipped in espresso mixture and remaining mascarpone/cream mixture. Sift chocolate evenly over top. Halve remaining ladyfingers and arrange vertically around edge of cake, cut sides down. Refrigerate at least 4 hours. Cut into squares to serve.

—Courtesy of Chianti and Chianti Cucina

notes Paul LoDuca, chef of Carlucci, a 200-seat Italian restaurant in Chicago. "Men want something more chocolaty; women want something lighter. They think it's not as filling as a chocolaty dessert." Mirabile also notes that the women who dine at his restaurants ask for tiramisu because it is lighter.

While Shannon of Petitto's and Dolce Finale has not noticed a gender-related trend, she does remark, "I have four regular customers who are passionate about tiramisu, and they're all men. So this is a dessert that appeals to men, too."

To make or to buy?

Restaurant operators who wish to include the item on their menus have two options: they can purchase tiramisu readymade or prepare it in house.

One company that works through distributors to offer prepared tiramisu to the foodservice industry is the Cannoli Factory in Westbury, New York. Until recently, the Cannoli Factory's focus has been on unfilled cannoli shells, says president Mickey Zucaro, but now it has added tiramisu to its product line. Taste It Presents, Inc., a Manhattan company, introduced the dessert at this year's National Restaurant Association Restaurant, Hotel/Motel Show. And samples of the confection were quickly snapped up.

The tiramisu comes frozen, "like a cheesecake; all the work's been done [for the restaurant operators]," Zucaro says. He cites uniformity and ease of preparation as benefits of purchasing prepared tiramisu. "This dessert is difficult and costly to make," Zucaro adds. "The main ingredient is mascarpone cheese from Italy, which is difficult to come by and very expensive."

Yet many restaurants choose to prepare their own tiramisu—despite the cost of the ingredients—because they take pride in the result. Carlos Fernandez, executive chef of Christini's Ristorante Italiano, a 230-seat restaurant in Orlando, Florida, admits that "as far as desserts go, tiramisu is one of our more expensive [because it is made with expensive ingredients and is labor intensive]."

"Tiramisu calls for real mascarpone cheese, espresso and ladyfingers—three very expensive ingredients," Mirabile explains. At Jasper's, the tiramisu is made 10 pans at a time, and each takes up to 30 minutes to prepare.

When Kaufman was developing his recipe for the restaurants, he experimented with an American version of mascarpone that was less expensive than the Italian product. But he found that it didn't hold up or have the same consistency.

Because much of tiramisu's appeal lies in its classic simplicity, restaurant operators who serve tiramisu urge their colleagues to respect the recipe. "It sounds like a simple recipe to prepare—take some mascarpone cheese, some coffee, some ladyfingers, some brandy—but it must be done correctly," says Bullo.

"We follow an old-time recipe exactly. We don't cheapen the dessert or cheat the recipe," Fernandez says.

Promoting tiramisu

Many restaurants like to promote tiramisu. Carlucci's has been cited in a number of area newspapers for its outstanding tiramisu. Instead of serving traditional cake on customer birthdays, the restaurant brings out a complimentary serving of tiramisu.

Bullo of the Chianti restaurants also believes that it's "important to train servers to explain the dessert so people will want to order it. People order it because it sounds so interesting."

Jasper's uses a more aggressive approach: "We have a table tent on the tables to explain tiramisu," says Mirabile. "And we have a square ad that reads, 'No, Tiramisu is not a Chinese general; it's a new Italian dessert.' " He also uses a flier to tell customers that a whole tiramisu can be purchased in the restaurant's deli.

At Dolce Finale, the clear dessert dishes of tiramisu are arranged in a lighted display case, and Shannon believes this presentation piques diners' interest: "It's more attractive in the individual dishes because people can see the various layers. It's a good product that looks really nice. I like to show it off." Although many of her customers learn of the dish through word-of-mouth recommendations, she instructs her servers to mention tiramisu first or second when reciting the dessert offerings to customers.

Is tiramisu here to stay?

Tiramisu is here today, but will it still be here tomorrow? Jasper's has served the dish for four years. "It's here to stay," Mirabile says firmly. "It's in all the major Italian cookbooks. People are getting to know about it."

"There's been no big Italian dessert since the cannoli," Carlucci's LoDuca points out. "So I think tiramisu will be around for a long time." ❑

Leslie Pietrzyk is a Washington DC writer.

State 1990 wrapup

Forty-four states held regular legislative sessions this year; and in every state, legislation that affected the restaurant industry was considered. The most common industry-related bills fell into three areas: the environment, benefits and taxes.

The environment

More than 1,700 bills were introduced this past session concerning solid waste. Integrated waste-management plans and recycling programs received the most attention at the state level. As state legislators are becoming more sophisticated about the nature of the solid-waste problem, the laws enacted are becoming more comprehensive.

For example, Delaware House Bill 585, which was signed into law in July 1990, established a hierarchy of preferred waste-management techniques and developed a statewide recycling strategy that will include collection and processing of recyclables and educational programs to teach the hows and whys of recycling. Also included is an important but usually neglected aspect of recycling programs: market research and development for recycled goods.

Other environmental proposals targeted packaging content. A model bill created by the Coalition of North Eastern Governors (CONEG) to phase heavy metals out of packaging was passed in several states beyond the Northeast. The "heavy metals," found in inks and dyes, become toxic when discarded into landfills. A group of laws passed this last session mandate coding of plastic containers according to resin content to facilitate recycling.

Solid waste is not the only environmental issue of note, however. Clean-air bills were introduced in most of the states, and water conservation and contamination are of growing concern. The complicated nature of these environmental problems will require long-term investments in research, public education and legislation.

Taxes

Many state legislatures found it increasingly difficult to balance constituent demands for more and better services with pleas against higher taxes. According to the National Governors' Association's *Fiscal Survey of States*, more than half of the states had to take budget-balancing measures during the year to eliminate shortfalls that developed after their initial budgets were passed. States seeking revenue to offset these deficits often turned to taxes.

Taxes affecting the restaurant industry took a variety of forms. In New York, a beverage-container tax of 2 cents per nonrefillable container was enacted. This is the first statewide measure of its kind signed into law. In Nebraska, a gross-receipts tax was charged to businesses in order to fund local recycling and waste-reduction programs. The tax itself is small, but it represents an alternative method of raising revenues for new programs that states are beginning to initiate. In Florida, a very controversial alcohol tax—to be charged by the drink—was enacted. Restaurateurs are organizing an effort to repeal this unwieldy tax. In Vermont, a bill increased the meal tax from 6 percent to 7 percent. Although the tax is termed "temporary," economic conditions in the state convinced legislators it was necessary. Foodservice operators were pleased, however, with a $600,000 increase in the state's travel and tourism budget.

Employee benefits

Rising concern over the nation's working uninsured prompted several states to examine mandated-health-benefits options. The burden of regulating health care traditionally falls to the states, because of the regional nature of costs and service availability. Tough economic times are requiring states to find creative ways to provide necessary services that are affordable. In California, Connecticut and Illinois programs to pare down mandates and reform insurance-underwriting practices were considered to encourage small businesses to provide health-care coverage as a benefit. In Massachusetts, the Universal Health Care Law will require private businesses to pay for insurance for all employees or pay substantial penalties. In order to minimize the damage done to businesses by mandated benefits, many states are passing mandate-evaluation laws, which require an economic impact study before any new mandates can be enacted.

An outcry from the business community against the high cost of workers'-compensation-insurance premiums, escalating abuses and increased costly litigation forced state legislatures to negotiate reforms in 1990. Several states, including California, Connecticut, New Hampshire, Rhode Island and West Virginia, passed laws establishing some type of dispute-settlement system to reduce lawsuits. A ballot initiative in Louisiana reinstated the hearing-officer process, despite an earlier court decision overturning the reform law. In Colorado, Florida, New Hampshire and Oregon, employers are no longer forced to pay benefits to workers who were under the influence of drugs or alcohol at the time of an accident. Other reforms include premium caps, regulated medical costs and liability pooling.

The District of Columbia and New Jersey passed new mandated parental-leave laws. The District's law is unique in that it offers the broadest definition of "family member" allowed in any state: "a person to whom the employee is related by blood, legal custody or marriage; a child who lives with an employee and for whom the employee permanently assumes and discharges parental responsibility; or a person with whom the employee shares or has shared, within the last year, a mutual residence and with whom the employee maintains a committed relationship."

New Jersey's law is especially notable because it requires businesses with 100 or more employees throughout the United States to provide parental-leave benefits to their New Jersey employees.

—Linda Way

As they close out their 1990 books, many operators are bracing for a 1991 that may bring the dual challenges of a slowing economy and increased competition, especially in urban areas.

1 NEW ENGLAND

Location: Huntington, CT
Association member: Howard Curtis
Operation: Connolly's Restaurant and Taproom
Profile: Upscale restaurant and bar room
In business: 10 years
Seats: 140, plus 100 in bar
Meals served: Lunch, dinner

"Business is getting better now that we're into the dining season," says manager **Michael Musante,** pointing out that summer was a slow time, aggravated by New England's sluggish economy.

Promotions have helped pick up traffic for this upscale, but casual, restaurant that is known for its steaks and seafood. October was highlighted by a big Oktoberfest promotion.

Connolly's does a booming bar business on Monday evenings with a football-game promotion in the taproom. Happy hour is a taproom event every weekday, and free food is offered at the bar. Especially popular in recent weeks has been a Sunday brunch buffet featuring 125 breakfast and lunch choices.

2 MID-ATLANTIC

Location: Uniontown, PA
Association members: Henry and Helen Becker
Operation: Beckers' Shady Side
Profile: Upscale restaurant and banquet facility
In business: 3 years
Seats: 95, plus 500 in banquet room
Meals served: Lunch, dinner

Three years ago, the Becker family bought the former Shady Side Inn and gave it a new name to reflect the fact that six Beckers have a hand in the operation. "Business has been great," says matriarchal co-owner **Helen Becker.** Sales last year approached $1 million in a town with only about 20,000 residents.

Chef Randy Becker serves up an extensive upscale menu that is long on seafood favorites, including salmon, swordfish, grouper and roughy. "We move more roughy than anything else," he says.

Uniontown is the county seat of Fayette County and, consequently, is home to a large number of lawyers, many of whom frequent Beckers' Shady Side. The restaurant also draws customers from neighboring towns and even Pittsburgh, some 50 miles north.

3 SOUTH ATLANTIC

Location: Spartanburg, SC
Association member: John Kirby
Operation: McDowell's Drive-in
Profile: Diner and carryout restaurant
In business: 39 years
Seats: 40
Meals served: Breakfast, lunch, dinner

Although the business climate has softened in recent months, business has remained steady at McDowell's. "If we got any more business, we couldn't handle it," says new owner **John Kirby,** who bought McDowell's earlier this year after working there for 20 years.

McDowell's is located in a Spartanburg business district and attracts a large lunch crowd, by featuring short-order specialties, including hamburger, steak, chicken and hot dogs. It offers no drive-in service despite the moniker. "Two of my vendors say that we're one of the only businesses here still doing well," says Kirby.

Of the 12 employees at McDowell's, seven are members of Kirby's family, including two sons, a daughter-in-law, a brother and a sister. "If my mother could walk, I'd have her up here, too," says Kirby of his "in-house" recruiting method.

4 EAST NORTH CENTRAL

Location: Lima, OH
Association member: Kathleen Moore
Operation: Lickity Split Restaurant
Profile: Ice cream shop and restaurant
In business: 10 years
Seats: 50
Meals served: Breakfast, lunch, dinner

The Lickity Split Restaurant continues to expand in response to strong customer demand, explains co-owner **Kathleen Moore.** What began as an ice cream shop 10 years ago has grown into a three-meal-a-day restaurant, attracting senior citizens and families in this manufacturing town of 48,000.

"During our peak time, we have people waiting for a table," says Moore, "and sometimes we lose customers because they don't want to wait." Hence the plan to add dining space to what is now a 50-seat restaurant. As now configured, the restaurant building retains some of the architectural traits of its previous tenant, a gas station.

Breakfast is a busy time at the Lickity Split, which offers a menu of standard breakfast items and omelets. In general, business is best during summer months when people are more likely to venture out.

5 EAST SOUTH CENTRAL

Location: Jackson, MS
Association member: James Zouboukos
Operation: The Elite Restaurant
Profile: Upscale restaurant
In business: 43 years
Seats: 172
Meals served: Breakfast, lunch, dinner

The Elite has been a Jackson dining landmark for 43 years. "Ask anyone in Jackson about the Elite," says co-owner **James Zouboukos,** "and they'll say, 'They have great rolls.' " Homemade rolls are baked twice a day, filling the dining room with a fresh-baked, warm aroma and complementing Elite's Southern menu dishes, including chicken-fried steak and chicken-and-dumplings. The extensive upscale menu goes beyond Southern cuisine, however, to include fresh seafood, steaks and enchiladas.

The biggest threat to the Elite's dining tradition occurred in 1974, when the restaurant's building burned down. Rebuilt in a French style later that year, the restaurant stands out from the shiny new bank and office buildings that surround it. "The last four or five years have been the best ever for business," says Zouboukos.

Zouboukos and his brother, who are originally from Greece, opened the Elite just after World War II. "My brother is 81 years old, and I'm 74," says Zouboukos, "and we go to work every day."

6 WEST NORTH CENTRAL

Location: St. Louis, MO
Association member: Norman Sewing
Operation: Salad Bowl Cafeteria
Profile: Cafeteria, banquets and catering
In business: 43 years
Seats: 250
Meals served: Lunch, dinner

The Salad Bowl Cafeteria is prepared to weather any economic downturn that may hit St. Louis, says **Norman Sewing,** one of three brothers who run this family-owned business. "In the 1982 downturn, we did pretty well," says Sewing. In fact, he thinks it's possible that customer counts could rise a bit as patrons are attracted to the value the cafeteria offers. "A lot of upscale restaurants around here are hurting," he adds.

The banquet and catering business have grown to about 50 percent of the Salad Bowl's sales, and a full slate of customers is currently lined up.

"You've got to make yourself unique," philosophizes Sewing about the secret to success in the restaurant business. One signature of the Salad Bowl is its made-from-scratch pies. To churn out homemade baked goods, the Salad Bowl staff includes five bakers.

Does the Salad Bowl have competition? "You better believe it," says Sewing, who adds that a newly opened shopping center in the neighborhood has about six restaurants.

7 WEST SOUTH CENTRAL

Location: Lawton, OK
Association member: Steve Weyher
Operation: Martin's Restaurant
Profile: Upscale restaurant
In business: 42 years
Seats: 85 in dining rooms, 48 in lounge and 150 in private party rooms
Meals served: Dinner, banquets, parties

The Christmas season is a good time of year for business at Martin's. "That's when we earn the money to pay our taxes," jokes owner **Steve Weyher.** Christmas parties and banquets are both Martin's specialties, and Weyher offers party packages based on anything from hot dogs to escargots. Other offerings include theme parties based on the foods and decorations of Germany, France, Mexico or Italy.

The main dining rooms at Martin's feature a variety of upscale menu items, including veal Oscar, steaks, lobster, crab legs and pork chops. "We stay busy," says Weyher, "but not packed."

A big chunk of the Lawton-area economy was taken away recently when 5,000 to 7,000 troops were airlifted to Saudi Arabia from the Fort Sill Military Reservation.

8 MOUNTAIN

Location: Prescott, AZ
Association member: Paul Murphy
Operation: Murphy's Restaurant
Profile: Upscale restaurant and bar
In business: 5½ years
Seats: 168, plus 72 in bar
Meals served: Lunch, dinner

"Business is great," says owner **Paul Murphy.** "We're up 12 percent over last year, and last year was a very good year."

Murphy's grossed more than $2 million last year in a town of just 28,000 people by attracting a sophisticated local trade and a solid out-of-town base. "It's not unusual for our customers to drive 100 miles for dinner," says Murphy.

Although Prescott is a mile high in elevation and is a forested area, a Murphy's menu highlight is the fresh fish that is flown in regularly. Another specialty is the restaurant's proprietary beer, brewed nearby and carrying a Murphy's label.

Owner Murphy keeps the place packed by offering customers a full calendar of special events and promotions. "The key to our success is that we always keep something going on," says Murphy.

Murphy is a stickler for proper training of employees, and he makes his own training films on site. "They are very important to our success," says Murphy.

9 PACIFIC

Location: Seattle, WA
Association member: Rebecca Pulido
Operation: El Puerco Lloran
Profile: Mexican restaurant
In business: 8½ years
Seats: 65
Meals served: Lunch, dinner

The simple formula at El Puerco Lloran continues to spell success for this small Seattle restaurant. Located at the waterfront, near the city's aquarium, the restaurant features a limited menu of less than 10 items. Corn tortillas are made on site to complement the popular tacos, carne asada and chiles rellenos.

An open kitchen provides patrons with some visual theater, and El Puerco Lloran is known locally as a good place to fill up at a budget price. "It's real cheap," says manager **Rebecca Pulido,** since most menu items are priced between $3.75 and $4.75. A modest price hike may be in the works, however, because of rising food and labor costs.

Winter months bring a slight decrease in the number of tourist customers, but local traffic remains strong, in part due to reviews the restaurant receives in local newspapers and magazines.

—Paul Moomaw

The pizza barometer

Forget press conferences, sound bites and state-of-the-union addresses. To get the scoop on what's *really* brewing in the nation's capital, call Domino's Pizza.

According to Domino's, there is a definite surge in pizza deliveries to government hot spots--including the Pentagon, the CIA and the White House—in the dark hours before a political storm. Orders increased before the Panama invasion, the Grenada invasion and the American air strike on Libya. The night before President Bush sent troops to the Middle East was a near-record pizza night. And the pizza chain made quite a few dollars from the U.S. Congress during recent budget negotiations.

Pizza orders are not confined to U.S. events, however. Deliveries are always up at the British Embassy whenever the royals are awaiting a birth.

—Jericho Promotions, Inc.

Flashy trash

If trash troubles give you the blues, a new kind of trash bag may soon offer a colorful solution, turning your garbage woes into wows.

An inventor in Louisiana has developed a bright alternative to dull gray and green trash bags—decorative garbage bags that can be made in an unlimited array of colors and patterns. In addition, the bags release air-freshening fragrances to cover the usual noxious trash-can odor. The bags are biodegradable—so as you enhance your restaurant's environment, you can enhance the earth's as well.

Because the design for these bags is now being presented to interested manufacturers for licensing,

it may not be long before the gray-green clouds of trash bags become rainbows.

—Invention Subcommission Corporation

Fax your facts

There's a new restaurant guide in New York City, and it isn't available in any book—it's in a fax machine.

MenuFax, a restaurant marketing firm based in Rutherford, New Jersey, has unveiled its fax service for customers hungry for restaurant information.

Activated through touch-tone telephone or fax-machine signals, the Menufax system connects customers with a restaurant directory tailored to their particular price, neighborhood and cuisine preferences. The toll-free number can be reached from any touch-tone phone or fax machine 24 hours a day, seven days a week. Callers receive a preliminary restaurant directory seconds after entering their fax number; more detailed menu information from particular restaurants can be accessed by entering the restaurant's individual four-digit code.

For customers, all it takes is a phone call, but restaurateurs must be subscribers in order to transmit information. There is no charge to be included in the basic directory; but to have specific menu information loaded into the system and be assigned an access code, restaurants must purchase a $100 graphics package that includes loading into the system menus, logos and any other information a restaurant chooses. In addition, there is a per-fax-page charge of $1.50. Although there is no monthly membership fee at present, MenuFax does anticipate inaugurating a small fee beginning in April 1991. For more information, call 1-800-545-MENU.

—MenuFax

A dedicated distributor

Searching for a bold burgundy to accompany your bourguignon or a chic chardonnay to complement your chicken? Paterno Imports is ready to help.

Paterno, the nation's leading distributor of premium wines, has launched a new advertising campaign that includes a wine-list-analysis program. Ads encourage restaurateurs to call a toll-free number (1-800-395-LIST) to receive a free analysis as well as wine-list tips that lead to menu matches that work. Paterno will also print and provide wine lists for restaurants free of charge and will conduct a training program for servers on the proper presentation and serving of wine.

—Paterno Imports

Recycling the house

McDonald's Corporation recently took its environmental campaign one step further to include the restaurant structure.

Through its "McRecycle USA" program, the company hopes to invest more than $100 million into recycled products for use in the construction and renovation of its restaurants, including such reusable resources as insulation, wall board, tabletops, trashcans and roofing.

The program was developed to encourage markets for these types of materials. Since McDonald's builds nearly 400 new restaurants each year and remodels about 1,000 others to the tune of almost $400 million, that amount alone could stimulate quite a market.

—*New York Times*

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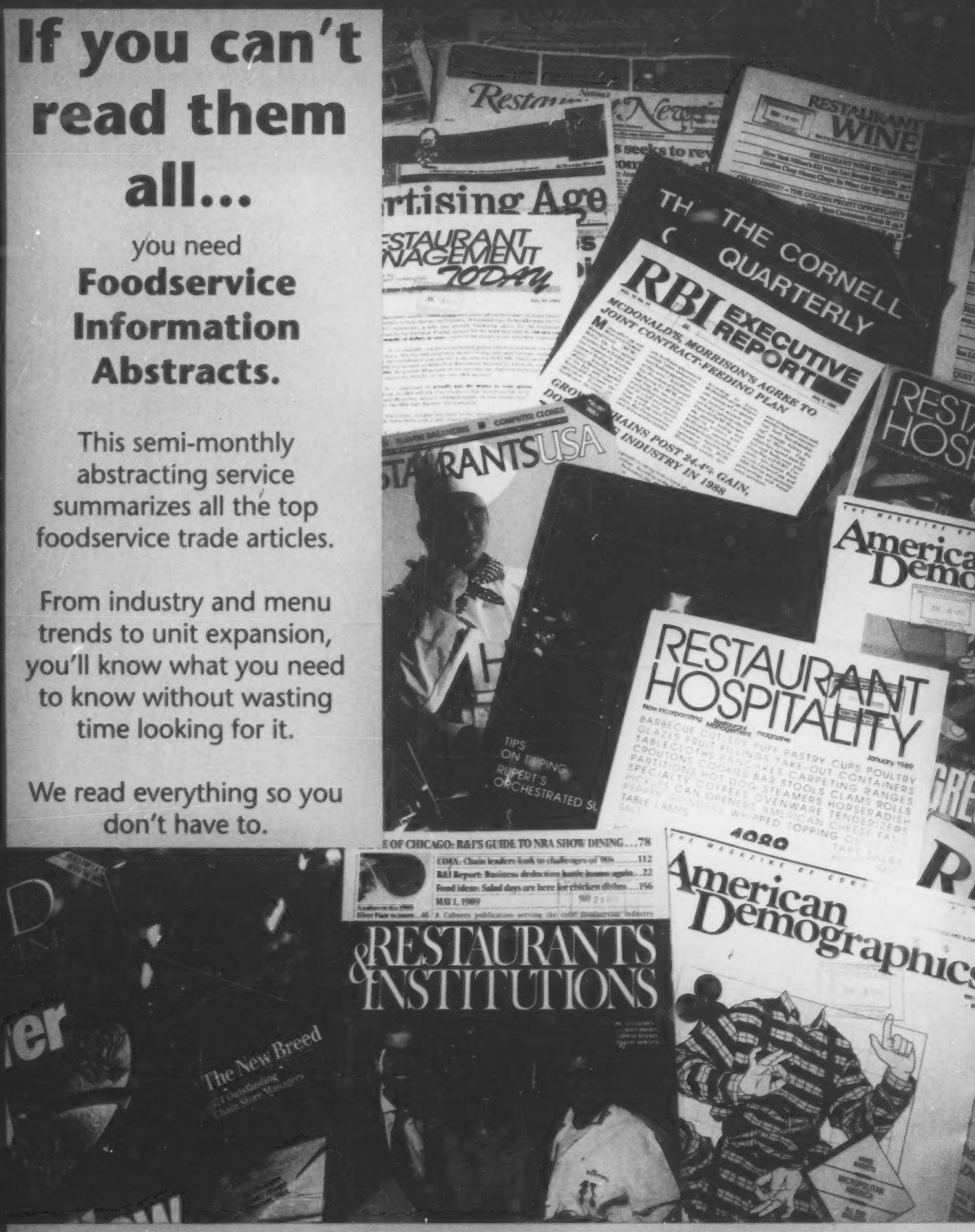
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